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The Role of Managerial Capabilities and Organisational Culture in Corporate Venturing: The Case of a Successful Corporate Spin-off

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This thesis studies how managers' capabilities and the culture of a parent company influence the successful creation and spin-off of a corporate venture. Building on the managerial capabilities literature, this thesis is a part of an emerging stream of studies that seek to explore how managers through their cognitive, social, and human capabilities shape the corporate venturing process of incumbent companies. This enables understanding the importance of individual agency in championing organisational change.

To answer my research questions, we draw on the case study of a successful corporate spin-off venture in the Finnish IT consulting industry. The first contribution of the thesis lies on studying how three distinctive groups of individuals (founders, early core employees, and parent company management) contribute to the venturing process with their managerial capabilities. The research's focus is on how those managerial capabilities affect the venture's emergence and growth. The findings suggest that the founders' common shared experience of building businesses, shared entrepreneurial aspirations, and their extensive internal social capital enabled the emergence and growth of the corporate venture. Parent company managers involved in the process enabled the venture emergence in three ways: by managing the agency of the founders, by utilising their vast experience on building businesses and corporate ventures, and by acting as mediators. Early core employees' compatible business experience enabled and accelerated the venture growth.

The second contribution of the thesis lies on studying how the parent company's cultural resources condition the founders' managerial capabilities. The findings suggest that cultural values related to autonomy, accountability and transparency, as well as the presence of a growth mindset within the company positively affect the founders' managerial capabilities, and subsequently enabled the venture's emergence and growth.

Based on the findings, the thesis offers an emerging model of how certain managerial capability dynamics, between groups of individuals and between their capabilities, contribute to the corporate venturing process.

Keywords: managerial capabilities, corporate venture, organisational culture	Language: English

Tekijä: Toni Laitila

Liikkeenjohdollisten kykyjen ja organisaatiokulttuurin rooli yritysten sisäisessä yrittäjyydessä: Tapaustutkimus menestyksekkäästä spin-off-yrityksestä

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Tässä diplomityössä tutkitaan, kuinka johtajien kykyjen ja emoyrityksen yrityskulttuuri vaikuttavat menestyksekkään spin-off-yrityksen luomiseen ja kasvuun. Tämä diplomityö on osa kasvavaa tutkimusaluetta, jossa pyritään tutkimaan, miten johtajat muokkaavat sisäisten yritysten perustamisprosessia vakiintuneissa yrityksissä hyödyntämällä kognitiivisia ja sosiaalisia kykyjään ja inhimillistä pääomaansa. Tämä auttaa ymmärtämään yksilön toiminnan tärkeyden organisaatiomuutoksessa.

Vastaan tutkimuskysymyksiin tapaustutkimuksella menestyksekkäästä spin-off-yrityksestä, joka toimii IT-konsultointialalla Suomessa. Diplomityön ensimmäinen tarkoitus on tutkia, miten kolmen erillisen henkilöryhmän (perustajat, alkuvaiheen ydintyöntekijät ja emoyrityksen johtajat) liikkeenjohdolliset kyvyt ovat vaikuttaneet sisäisen yrityksen syntyprosessiin. Tulosten mukaan perustajien yhdenmukainen kokemus liiketoiminnan rakentamisesta, yhteinen yrittäjähenkisyys ja perustajien laaja sosiaalinen pääoma emoyrityksen sisällä mahdollistivat sisäisen yrityksen syntymisen ja kasvun. Emoyrityksestä prosessissa mukana olleet johtajat mahdollistivat yrityksen synnyn kolmella tavalla: vaikuttamalla perustajien toimintaan, hyödyntämällä omaa laajaa kokemustaan liiketoiminnan rakentamisesta ja yrityksen sisäisistä yrityksistä sekä toimimalla välittäjänä osapuolten välissä. Lisäksi yrityksen kasvua edisti ydintyöntekijöiden kokemus vastaavasta liiketoiminnasta.

Diplomityön toinen tarkoitus on tutkia, miten emoyrityksen yrityskulttuuri muokkaa perustajien liikkeenjohdollisia kykyjä. Tulosten mukaan autonomiaan, vastuuntuntoon ja läpinäkyvyyteen liittyvät kulttuuriset arvot sekä kasvuajattelutapa emoyrityksessä vaikuttivat positiivisesti perustajien kykyihin, mikä mahdollisti tytäryrityksen syntymisen ja kasvun.

Tulosten pohjalta diplomityö esittää, miten eri henkilöryhmät ja niiden liikkeenjohdolliset kyvyt vaikuttavat yrityksen sisäisen yrityksen perustamiseen.

Avainsanat: liikkeenjohdolliset kyvyt, organisaatiokulttuuri, yrityksen sisäinen yritys | Kieli: Englanti

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Helsinki, 14.1.2018
Toni Laitila

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Key definitions

Corporate venturing. External corporate venturing refers to corporate venturing activities that result in the creation of semi-autonomous or autonomous organizational entities that reside outside the existing organizational domain. Internal corporate venturing refers to activities that lead to the creation of organizational entities that reside within an existing organizational domain. (Sharma and Chrisman, 1999). In this thesis, corporate venture refers to the organisational entity that results from corporate venturing.

Managerial capabilities are the capabilities managers use to create, extend or modify the ways the company operates the business, through an impact on factors both within and outside the company (Helfat and Martin, 2015).

Organisational culture. The types of attitudes and agreed ways of working shared by the employees of a company or organisation (Cambridge, 2018). Company culture and organisational culture are used interchangeably in this thesis (e.g. when referring to parent company culture).

1. Introduction

1.1. Background and motivation

As existing companies explore strategic options to renew and grow, corporate venturing remains a timely and relevant option. Practitioners view corporate venturing as a vehicle to explore new opportunities into new markets, with the intent to acquire knowledge and agility (Lerner, 2013). Researchers have long studied corporate venturing as the “corporate entrepreneurial efforts that lead to the creation of new business organizations within the corporate organization”, which “may or may not lead to the formation of new organizational units that are distinct from existing organizational units in a structural sense (e.g., a new division)” (Sharma and Chrisman, 1999, p. 19). The creation of internal new corporate ventures has been well-documented (e.g. Burgelman, 1983, 1984; Ginsberg and Hay, 1994; Burgelman and Välikangas, 2005), while similar emphasis has been on the creation of ventures that reside outside the organizational boundaries, or as Sharma and Chrisman (1999) call them, “external ventures” (Roberts, 1980; Chesbrough, 2002).

Besides the progress achieved in those streams of literature, the role of managers and employees in the venturing process remain underexplored. In detail, we know little of how individual managerial capabilities contribute to the successful emergence and growth of corporate ventures. Further, how the organizational context enables or inhibits managerial capabilities in the venturing process remains understudied. Focusing on the role of managerial capabilities in the venturing process is highly relevant for both researchers and practitioners for two reasons. First, recent research on the role of managers in organizational change and growth indicate that the capabilities of managers, and more specifically their cognitive, human, and social capabilities, play a critical role in strategic change and renewal (Helfat and Martin, 2015). Second, Beck and Wiersema (2013) state that managerial capabilities affect how firms form and bundle their resources, which in turn leads to differing strategies and differences in firm performance. Similarly, Helfat and Martin (2015) propose that managerial capabilities affect company performance under change.

This being said, the client and the case company (Columbia Road Oy) of this thesis is a corporate venture that span out from the parent company (Futurice Oy) in 2016. Both the parent company and the venture seek better understanding of the role of managerial capabilities, and the organisational and contextual factors in the successful emergence and growth of the corporate venture. The parent company sought to renew and grow its offering by experimenting with new ways of organising and growing, while providing senior employees with an opportunity to drive renewal. This thesis presents an opportunity for both the parent and the corporate venture to understand what drives this level of success. It also crystalizes important learnings regarding the role of managerial capabilities in managing future corporate venturing initiatives of the parent company, or even the potential future ventures from the current corporate venture. Understanding the individual managerial capabilities, the aspects that form the professional individual, may be the most critical piece of knowledge for replicating a successful corporate venture in the future, enabling both the parent and the corporate venture to build blocks of venturing capabilities.

Additionally, the corporate venture seeks to understand their own journey so far, so they can improve their performance now and in the future. This is guided by the principle of continuous learning and improvement. Lastly, understanding the role of parent company's culture to individuals' capabilities is useful when building the company culture for the corporate venture. Thus, identifying the key managerial capabilities might enable nurturing these capabilities further, but it also enables looking for these capabilities in other employees.

From a personal perspective as a thesis writer, there are multiple motivations to write the thesis. Firstly, corporate venturing is a very current topic that many corporations are exploring. The process of researching the topic will enable gaining a deeper understanding of the underlying processes that enable corporate venturing. Secondly, the parent company's company culture is unique and often praised (won "Best Place to Work in Europe" award in 2012 (Gibson, 2012)), which makes studying the culture's impact even more compelling. In addition, the role of the company culture in financial success interests me. Thirdly, I have been part of the corporate venture from the beginning, which is why I want to understand the founding story and the dynamics forging it better. Lastly, by writing this thesis I can familiarize myself with the parent company organization better, which is important as internal networks are useful for working effectively within the organisation.

1.2. Research objective, research questions and scope

There is a lot of research available on corporate entrepreneurship and venturing (e.g. Roberts, 1980; Stopford and Baden-Fuller, 1994). While the role of managers has been suggested as important (Floyd and Lane, 2000), little attention is paid to the managers' capabilities. This is a significant omission considering the recent studies that highlight the importance of managerial capabilities, not only on strategic change (Helfat and Martin, 2015) but also on sensing, seizing and reconfiguring opportunities (Helfat and Peteraf, 2015).

More interestingly, corporate venturing has not been studied in the context of a company with flat and self-determining organisation and a culture built around trust, freedom and transparency. Corporate venturing is interesting to study in this context because in flat organisations one can expect individual managers to employ agency (i.e. take actions and make decisions by oneself), therefore making their managerial capabilities more relevant for the success or failure of the corporate venture. Additionally, this context is interesting as more commonly corporate venturing is done and researched in the context of large corporations looking for ways to renew and grow (e.g. Burgelman, 1983), or alternatively in the context of large technology companies with their large venturing divisions (CB Insights, 2017).

This thesis integrates two streams of literature, the corporate venturing and entrepreneurship literature and the literature on managerial capabilities, and acknowledges the importance of a fundamental part of the parent company's architecture: the company culture. This leads to our two research objectives. First objective is to understand the important managerial capabilities during the founding and growth of a corporate venture. This leads to our first research question:

Research question 1: Which managerial capabilities (cognitive, human, social, emotional) enabled and which obstructed the creation of a corporate venture?

This question includes managerial capabilities of the founders, other involved managers and early core employees both before and after the official launch. After identifying which managerial capabilities enable the corporate venture growth and emergence, the impact of the parent company culture on these managerial capabilities is studied. This leads to the second research question:

Research question 2: How does the organisational culture at the parent company affect the managerial capabilities critical to the founders of a corporate venture?

Answering these questions can improve understanding of which capabilities are desirable in the search of a perfect corporate entrepreneur, and what kind of cultural and organisational aspects should be embraced at the parent company to build and nurture these entrepreneurial managerial capabilities.

The research questions are answered with an explorative and inductive case study that focuses on single corporate venture case, to be more specific, to a parent company and its corporate venture. The case study is conducted by interviewing 10 different people who have been the most involved in the founding and growth of the corporate venture. These people include the founders of the venture, early core employees of the venture and other managers involved in the founding and growth process, including parent company management team and board members.

This thesis gives answers and better understanding on corporate venturing on the level of individuals' managerial capabilities. The research opens up new avenues for further research, as no initial or explorative research has been made on this specific topic before. The qualitative explorative findings can offer excellent breeding ground for future research.

1.3. Context of the study

The research for this thesis was conducted at Columbia Road Oy, a corporate venture of Futurice Oy. Futurice designs digital services for its customers, and its main focus is in online and mobile software. Futurice was founded in 2000, and it currently employs in total over 400 professionals. Columbia Road is a consultancy that focuses on digital commerce, including electronic commerce, digital customer experience and digital marketing. Columbia Road was founded in March 2016. (Futurice, 2017).

Futurice is rather well-known in the Finnish IT industry for its company culture and organisational structure. The company culture of Futurice is built around freedom to take initiative and the responsibility that comes with the freedom. The culture is human-oriented, it is built around trust between employees, it assumes that people are smart and can, and will, make choices by themselves without asking permission from superiors. The culture is open and transparent, meaning that every decision is transparent and a lot of information is available to the employees. In addition, the culture gives a lot of responsibility already early in the career and encourages employees to improve professionally to the direction they desire to. The culture of Futurice is also fair, which sometimes requires extensive communication of made decisions to the employees. Although there is company-wide culture, the better description for the culture is company-wide guiding principles combined with multiple, slightly varying sub-cultures. (Futurice, 2017; Tolonen, 2017).

Some central ideas of the culture are branded. For decision-making, Futurice has created a 3x2 framework for individual decision-making: “When moving towards a decision, a new project or an outsourcing task, there are three (3) times two (2) aspects to consider about its immediate and future impact: how does the decision affect your colleagues, the customer and the numbers (business profitability), now and in the future.” (Nevanlinna, 2017). This framework is depicted below in Figure 1.

Figure 1: Futurice's 3x2 framework

Culture is closely related to organisation structure, and key aspects of organisation structure should be addressed here shortly. The organisation of Futurice is flat. The organisation is also self-determining, which is visible in two levels: individuals are encouraged to make decisions by themselves, and the business units, called “tribes” at the parent company, have high level of autonomy to make operational decisions regarding themselves. The decision-making aims to be decentralised, which means the decisions are made where there’s most information regarding the specific topic.

Columbia Road, as a subsidiary, aims to take the best practices of the Futurice’s company culture but leave the undesirable pieces of culture and add its own, unique, aspects on top of it. The corporate venture aspires to create its own culture and not be Futurice 2.0. Still, the company is only a bit over a year old, therefore the culture is not yet fully formed, nor is it written down anywhere.

Focal context of this thesis is the founding process, which can be divided into four parts as depicted in Figure 2.

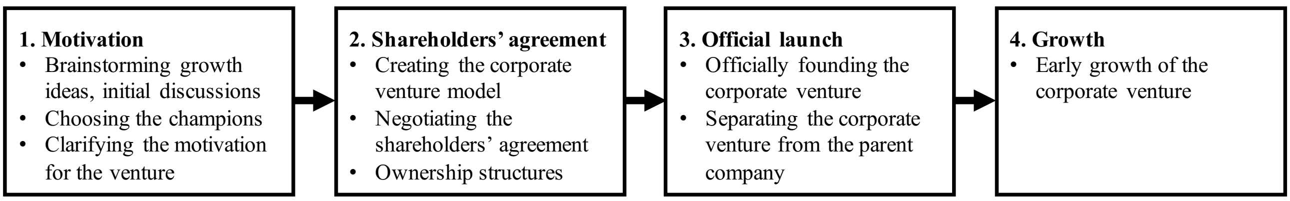

Figure 2: Corporate venture founding process

1.4. Structure of the thesis

The thesis is structured under five content chapters, first chapter being the introduction, which also includes the research questions guiding the thesis.

The second chapter of the thesis goes through the theoretical background of the topic of the thesis. The narrative literature review introduces what has already been studied on and around the topic, but also reveals potential research gaps. The review includes literature about the context of the research and about the phenomena studied.

Third chapter goes through the methodology used for the empirical research in detail. The chapter presents research design and research process, but also the methodology used for data collection and data analysis. In addition, reliability and validity of the methods are discussed in this chapter.

Fourth chapter introduces the findings of the empirical research aiming to answer the two research questions. The findings are structured under three areas of findings: corporate venture founders' managerial capabilities, other managers' and early core employees' managerial capabilities, and thirdly the parent company culture's effect on the founders' managerial capabilities.

Fifth and last chapter is discussion. It introduces the emerging model that combines the findings together, and it also introduces the theoretical contributions, discusses limitations of the study and lays down potential avenues for future research. Finally, after discussion, references are listed, and the list of informants and interview protocol are available in the appendices.

2. Theoretical background

2.1. Introduction

This narrative literature review goes through the research areas related to the empirical research and the context of the research, and points out potential research gaps. First, the literature review defines corporate venturing as part of the larger theme of corporate entrepreneurship, differentiating between internal and external corporate venturing. Second, we review two different corporate venturing process models, and discuss the importance of venture emergence and growth in corporate venturing. This offers better understanding of the context, and introduces venture emergence and growth, which are the dependent variables of the research. Third, we look deeper into the managers' roles in corporate venturing, and especially the importance of managers in venture emergence and growth. This highlights the current state of research on managers' role in corporate venturing and it is related to the first research question. Fourth, we review the current literature on managerial capabilities, what they are and how they are related to corporate venturing. This is an important base of knowledge for the first research question. Lastly, managerial capabilities develop and are utilised in a context, and in our research, it is a company culture. Therefore, we review the literature on company culture's impact on managers, managerial capabilities and entrepreneurial behaviour. This offers background for our second research question and sheds light on the current state of the research on this area. To conclude, this chapter reviews the context and the dependent variables of the research, and the current literature related to the two research questions of this thesis.

2.2. Corporate venturing

2.2.1. Definition of corporate venturing

Defining what corporate venturing is enables a better understanding of the research context. Corporate venturing is closely related to corporate entrepreneurship. Sharma and Chrisman (1999) differentiates corporate entrepreneurship from independent entrepreneurship. Corporate entrepreneurship involves three sub-categories of entrepreneurial activities taking place within the boundaries of a firm: corporate venturing, innovation and strategic renewal, although all of these categories are interrelated. Corporate venturing may be either internal or external to the firm. Figure 3 depicts the hierarchical relationship among these constructs.

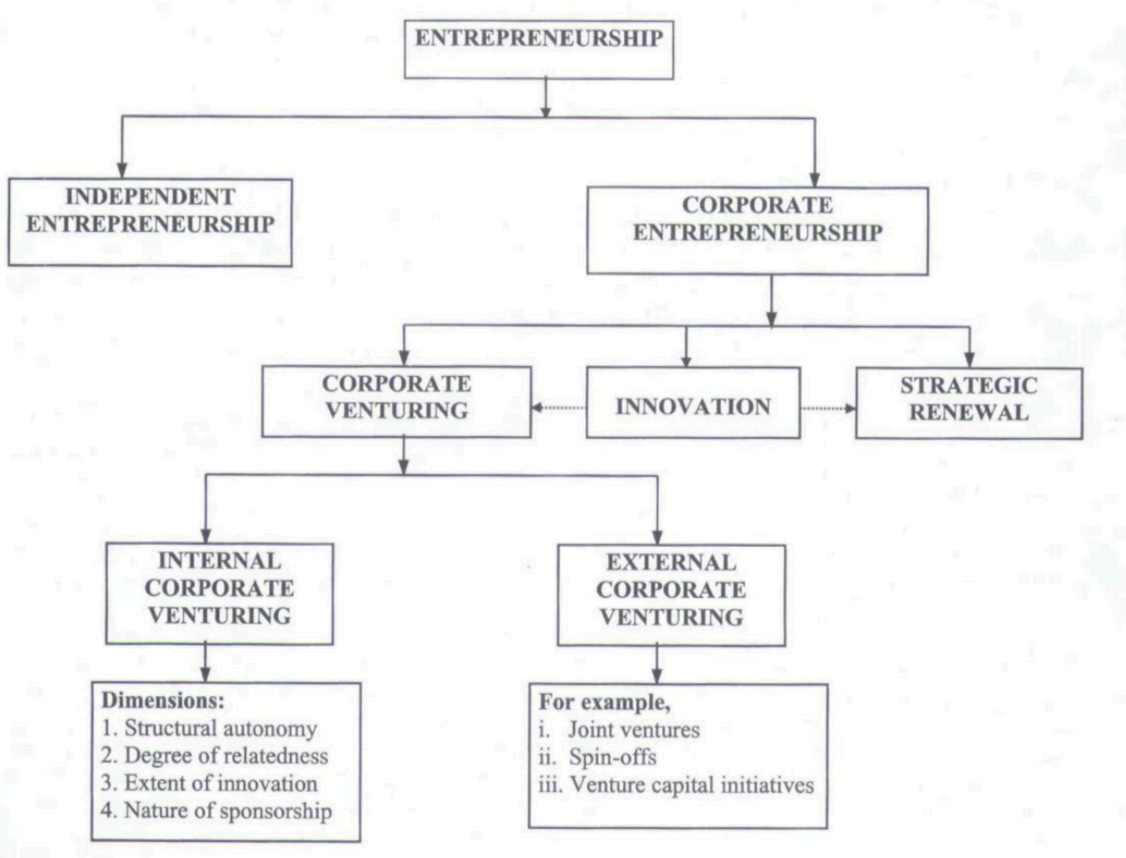

Figure 3: Hierarchy of terminology in corporate entrepreneurship (Sharma and Chrisman, 1999)

Sharma and Chrisman (1999) define corporate venturing as corporate entrepreneurial efforts that lead to the creation of new business organisations within the corporate organisation. In internal corporate venturing the new organisational entities reside within existing organisational domain. On the other hand, in external corporate venturing the creation of autonomous or semi-autonomous entities reside outside the existing organisational domain. In practice though, hybrids of internal and external corporate venturing activities are common, as in the case of this thesis.

2.2.2. Different corporate venture strategies

Before looking specifically to the managers' roles in corporate venturing and corporate entrepreneurship in general, it is beneficial to look into corporate venturing and corporate entrepreneurship models. It is important to understand the context within which these managers need to operate.

Different forms of corporate venturing have been discussed already for decades. Roberts (1980) puts different strategies for new ventures on an external to internal venturing continuum, as depicted in

Figure 4. A venture capital strategy implies investing money in external new ventures, whereas venture nurturing includes managerial support from parent company on top of the financial support. Venture spin-off happens in situations where a new innovation or offering does not fit well into the parent company, and therefore is externalised. Roberts (1980) also notes that venture spin-off is potentially a good way to hold onto an internal entrepreneur and gain value, although the corporate involvement is limited.

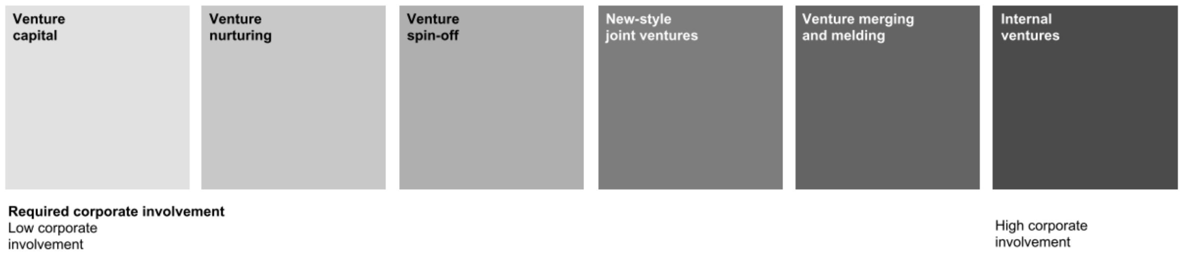

Figure 4: Spectrum of venture strategies by Roberts (1980)

New-style joint venture implies the formation of joint venture between the larger corporation and a smaller company, where the parent of the new venture offers financial support and resources and the smaller company instils an entrepreneurial mindset, flexibility and technology. Venture merging and melding means combining different ventures together inside the company, and internal ventures are simply separate entities inside the organisation aiming to radically different markets or having radically different products (Roberts, 1980).

Along these lines, Ginsberg and Hay (1994) adapted a framework from Botkin's and Matthews' work, to propose a typology of four forms of corporate entrepreneurship strategies, as depicted in Figure 5. Their typology considers corporate entrepreneurship strategies across two axes: the degree of integration of a new venturing entity (integrated versus autonomous), and its origin in relation to the parent company's boundaries (internal versus external). The four clusters of strategies resulting from typology are intrapreneuring, internal corporate venturing, merger and acquisition, and entrepreneurial partnership (Ginsberg and Hay, 1994). The case company of this thesis is closest to internal corporate venturing typology.

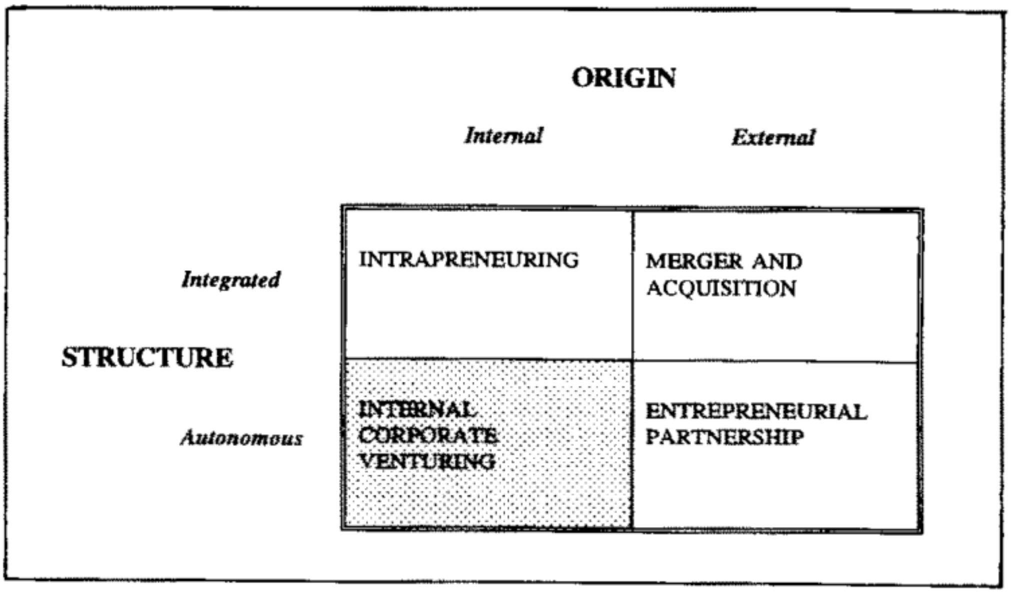

Figure 5: Corporate entrepreneurship strategies by Ginsberg and Hay (1994)

2.2.3. Internal corporate venturing models

Internal corporate venturing has been studied by Burgelman in multiple instances (Burgelman, 1983, 1984; Burgelman and Välikangas, 2005) focusing on internal corporate venturing processes and cycles. In contrast to the moderately small parent company of the case company of this thesis, Burgelman has studied internal corporate venturing in larger corporations.

Burgelman's (1983) internal corporate venture process model recognises two core processes and two overlaying processes to the internal corporate venture process on three layers of managers: corporate management, new venture division management and group leader or venture manager. Definition and impetus are core processes and the overlaying processes are strategic context and structural context. Definition process is concerned with articulating the technical and economic aspects of the venture, that is, the technical content of what the corporate venture is doing and the business logic and the context around that. The impetus, the second core process, is concerned with the venture gaining and maintaining support. The managers' roles and activities are reviewed in more depth in chapter 2.3 Managers' role in corporate ventures. In general, this model by Burgelman provides a view inside a corporate venturing process and gives understanding of the core activities the low, middle, and senior level managers need to carry out for the successful launch and sustainability of an internal venture.

During the last decade, there has been an emerging academic interest on specific venturing model called the spin-along approach (Rohrbeck, Döhler and Arnold, 2009; Michl, Gold and Picot, 2012, 2013; Klarner, Treffers and Picot, 2013). The spin-along approach is a combination of internal and external corporate venturing, and it aims to support the firm's innovative performance. More specifically, spin-along venture starts from inside the parent company, grows and matures outside but close to the parent, and is usually acquired back inside the parent company later. (Michl, Gold and Picot, 2012) The term spin-along corporate venturing was first introduced by Rohrbeck et al. (Rohrbeck, Döhler and Arnold, 2009). Figure 6 depicts the spin-along process as suggested by Michl, Gold and Picot (2012). The spin-along process offers benefits like improved flexibility combined with security for the venture founders. This spin-along process resembles the process the case company of this thesis used, and therefore improves the contextual understanding of the research setting of this thesis.

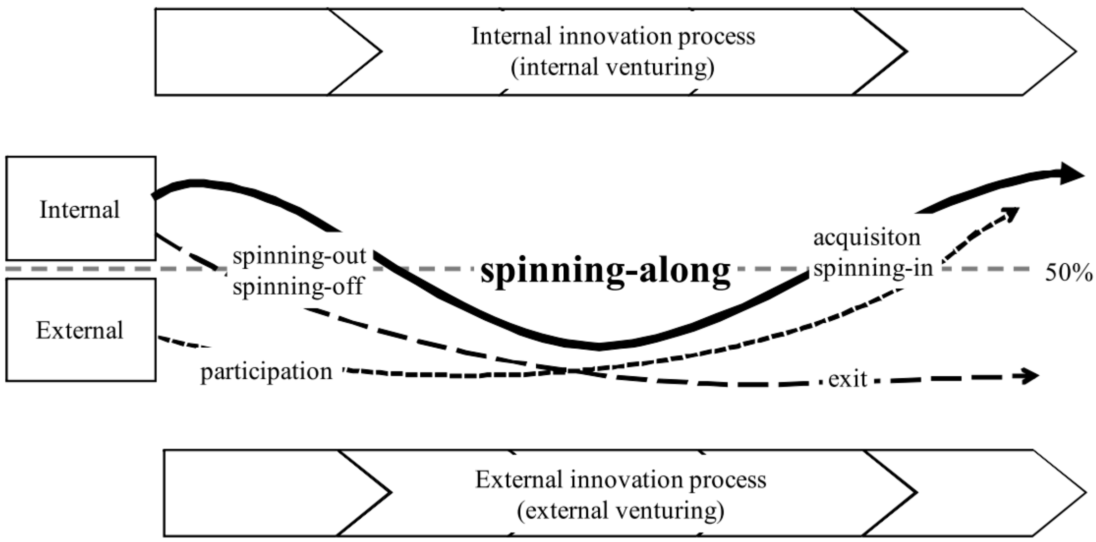

Figure 6: Spin-along process (Michl, Gold and Picot, 2012)

2.2.4. Venture emergence and growth

In order to understand the importance of the managers' role in the corporate venturing, it is important to unfold what characterises the emergence and growth of a new venture in the context of internal corporate venturing. Both the emergence and growth phases are critical in the life cycle of an internal venture, as they directly relate to the success of corporate venturing initiatives. Further, these are the two main phases on which managers mainly focus and exert their effort (Burgelman, 1983).

Venture emergence is relevant as a dependent variable for few reasons, and many of the corporate venturing process models are concerned with the venture emergence. For example, the two core processes of the internal corporate venture model (Burgelman, 1983), definition and impetus, are both concerned with the venture emergence. Definition is only concerned with venture emergence, and the impetus process is in the stage of venture emergence and early growth. Similarly, the spin-along process starts with the spinning out, which effectively means the venture emergence (Michl, Gold and Picot, 2012).

Venture growth, on the other hand, is often the reason behind corporate venturing activities. Roberts (1980) states that new ventures are common way to search for growth in size and in profitability although it does not always succeed. In a sense, it is not interesting to study only managerial capabilities that affect venture emergence as the venture emergence is seldom the end goal of corporate venturing activities. In the context of new ventures, for example Colombo and Grilli (2005), Barbero, Casillas and Feldman (2011), and Lee and Tsang (2001) all measure venture growth as one of their dependent variables, acting as a proxy for success.

2.3. Managers' role in corporate ventures

It is well established in the corporate venturing literature that managers or venture champions significantly influence the internal corporate venturing (ICV) process. Burgelman's (1983) internal corporate venture process model is largely focused on managers' activities and their importance in corporate venturing. Figure 7 highlights the managers' main activities across four core stages of the internal venturing development process. Burgelman's process model captures the bottom-up contribution of managers in building a new venture with most of the key activities conducted by the operational level managers or new venture division managers. The model focuses on activities and practices, although it implies that managers' skills also play a role. (Burgelman, 1983).

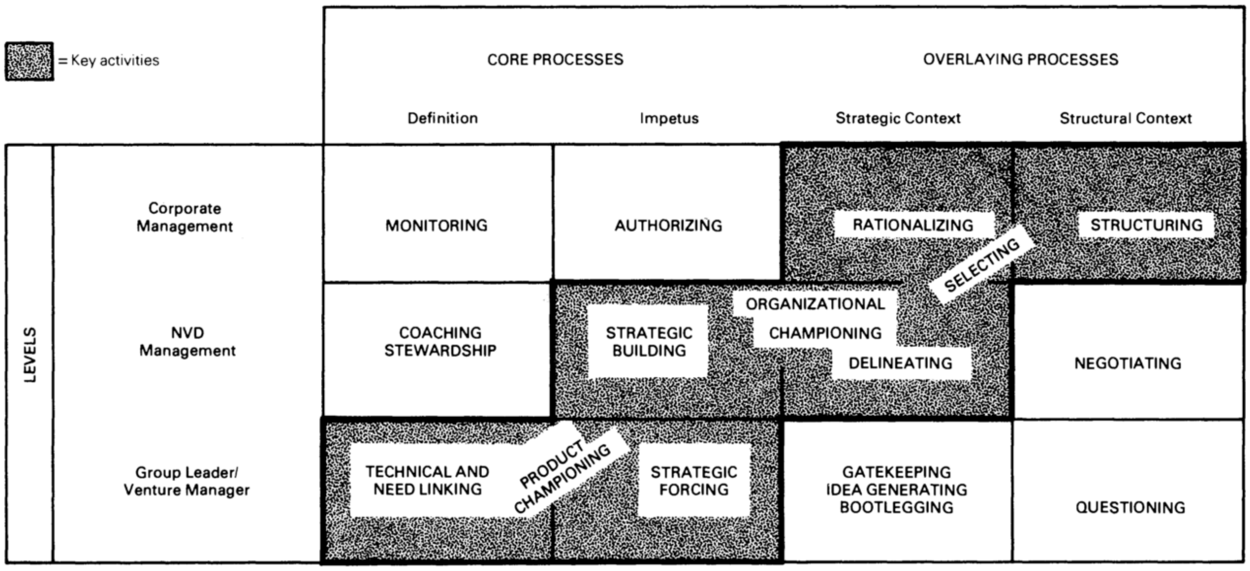

Figure 7: Key and peripheral activities in a process model of internal corporate venturing (Burgelman, 1983)

Ginsberg and Hay (1994) also lay down four types of corporate venture champions, depending on the level of autonomy and level of creativity and innovation. In their model, the owner-manager might be the closest resemblance to the corporate venture founders of the case company of the thesis, as the level of autonomy is high, but the level of creativity and innovation are only moderate. Although Ginsberg and Hay (1994) focus on the "corporate venturer", they suggest four activities that the venturer should do in order to improve the corporate venture's chances of success. These activities can be partly relevant for owner-manager also. First, the venturer should cocoon the venture at its initial stage, by concealing its presence from the majority of other organisational members, as the idea may still be very fragile. In practice, this means working on the idea outside work hours, involving only few people and being vague about the idea to outsiders. Second, the venturer needs to progressively build momentum for the idea, and go public with the venture rather later than sooner. Increased publicity increases the number of stakeholders who feel entitled to give their view of the venture. Third, the venturer needs to under-promise and over-deliver to manage expectations regarding the venture. Fourth, the venturer needs to set clear criteria against which the performance is measured and distinct the venture from the parent company, for example by differentiating the identity and ways of working. Similarly to Burgelman's (1983) process model, Ginsberg's and Hay's (1994) model also focuses on manager's activities, but not on managerial capabilities.

In a similar stream of literature, Floyd and Lane (2000) illustrated a model of critical roles managers need to exhibit during strategic renewal. Their model differentiates among three core strategic renewal sub-processes: competence definition, modification and deployment. While their model focuses on strategic renewal, and not only on corporate venturing, new ventures have the potential to renew an organization (Helfat and Martin, 2015), and thus Floyd's and Lane's model is relevant for this thesis.

Competence definition comes into play in situations where it is unclear which organisational competences are valuable in the future. Competence modification is concerned with the situations where environment changes and existing competences have to be modified for them to stay valuable for the organisation. Lastly, competence deployment is mainly concerned with increasing the scale of existing competences rather than developing new competences or modifying existing ones. (Floyd and Lane, 2000). This model by Floyd and Lane (2000) has implications for roles in corporate venturing, especially the competence definition is closely related to corporate venturing emergence from inside a corporation.

Floyd and Lane (2000) state that first level managers (i.e. operating management roles) engage in entrepreneurial behaviours that are framed in interactions with middle management. On the other hand, top management aims to provide an environment that elicits and supports entrepreneurial behaviours of especially middle and first level managers. Middle managers must possess the technical competence to understand development of the firm's core competences, which in turn allows them to communicate with first level managers. Simultaneously, the middle managers must understand firm's strategic intent and goals as well as the political context in order to effectively interact with top level management. (Floyd and Lane, 2000). In a way, middle managers have to understand both the more technical knowledge from the first level managers, and the strategic intent of the top management in order to excel in strategic renewal activities.

All of these models discuss the role and activities of the managers (Burgelman, 1983; Ginsberg and Hay, 1994; Floyd and Lane, 2000) and highlight the importance of managers in venture emergence and growth, and imply that all managers are equally equipped to enact on such activities. However, this may not be the case considering that involvement in corporate entrepreneurial activities, and more specifically in venturing activities, is discretionary (Burgelman, 1983; De Clercq, Dimov and Belausteguigoitia, 2016). Recent research of managers' role in strategic change and renewal indicate that such variation may be explained by the capabilities managers hold (Helfat and Martin, 2015).

However, within the corporate venturing literature managerial capabilities have received little attention. In this thesis, we seek to address this gap by focusing on how managerial capabilities enable managers to perform core activities needed to drive the emergence and growth of a new venture.

In a spin-along process, Michl, Gold and Picot (2013) propose that the involvement of senior management of the parent company increases the compatibility between the organisational and individual goals of the parent company and the corporate venture. In addition, they suggest that involvement of senior management increases synergies for both exploitation and exploration activities at both the parent and the venture.

Similarly, In Figure 8 Kuratko, Ireland and Hornsby (2004) present a model of how managers and their entrepreneurial behaviours relate to corporate entrepreneurship. The model indicates both managerial and organisational outcomes of managers' entrepreneurial behaviours. The organisational outcomes are relevant as they give a high-level picture of managers' impact on corporate entrepreneurship activities. Interestingly, the list of outcomes does not explicitly include venture emergence or growth as one of the outcomes.

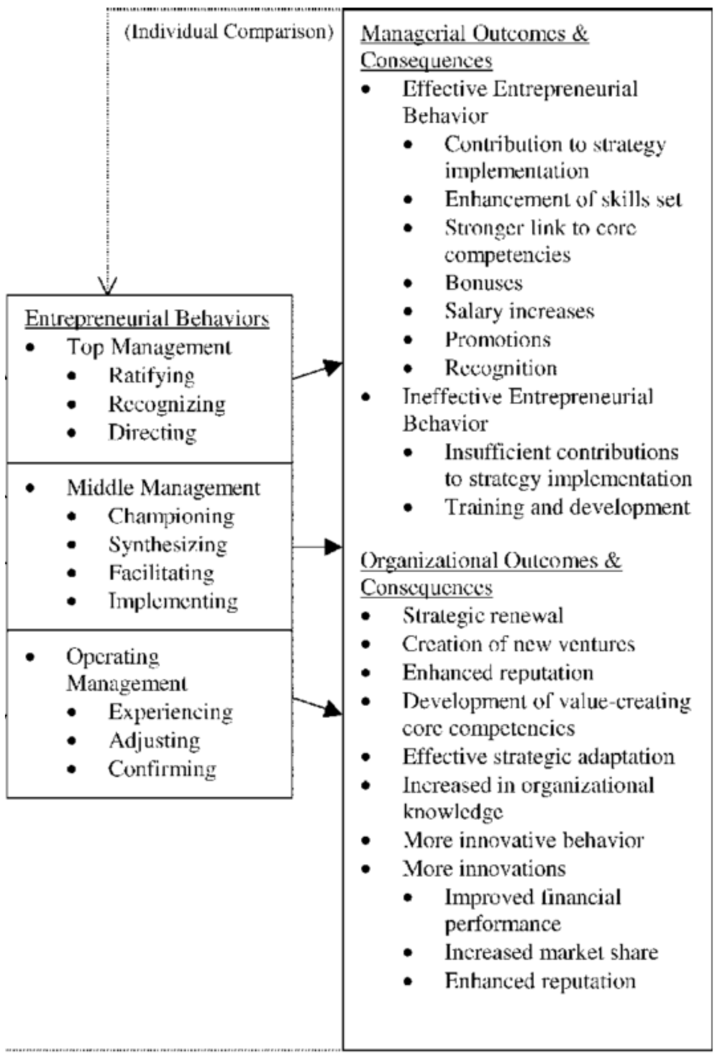

Figure 8: Managers' activities and organisational outcomes (Kuratko, Ireland and Hornsby, 2004)

Understandably, the high-level outcomes represented in Figure 8 are quite vague, leaving the individual managers' impact on corporate venture success effectively unanswered. This implies a research gap and an area that requires further attention.

2.4. Managerial capabilities in venturing

2.4.1. Definition and managerial capabilities in earlier research

Managerial capabilities were first defined as capabilities that managers use to build, integrate, and reconfigure organisational resources and competences (Adner and Helfat, 2003). More recently, Helfat and Martin (2015) provided a more general definition: "capabilities with which managers create, extend, or modify the ways which a firm makes a living, through an impact on factors both within and outside of the firm." (Shalley, Hitt and Zhou, 2015, p. 421)

Dynamic managerial capabilities are for individuals what dynamic capabilities are for organisations. Teece, Pisano and Shuen (1997) defined dynamic capability as one that allows organisation to alter the way it makes its living. In other words, such capability is the organisations ability to integrate, build, and reconfigure both internal and external competences. Such capability can be used for example to modify organisation's operational capabilities (Winter, 2003). According to the original definition (Teece, Pisano and Shuen, 1997), dynamic capabilities are based on high-performance organisational routines. Later Eisenhardt and Martin (2000) defined dynamic capabilities as organisational and strategic routines that help the firm "achieve new resource configurations". This definition was later modified to include dynamic managerial capabilities in addition to organisational routines as underpinnings of dynamic capabilities (Adner and Helfat, 2003). Difference between managerial capabilities and dynamic managerial capabilities is that the dynamic managerial capabilities change over time whereas managerial capabilities do not change (Cambridge Dictionary, 2017). Therefore, majority of existing research on dynamic managerial capabilities are applicable to managerial capabilities more generally.

Managerial capabilities are built from three underlying managerial resources, namely managerial human capital, managerial social capital and managerial cognition as depicted in Figure 9 (Adner and Helfat, 2003). These three aspects of managerial capabilities are tied together in different ways in different studies and research reviews. When first introduced in 2003 (Adner and Helfat, 2003), the three elements of managerial capabilities were depicted as a network.

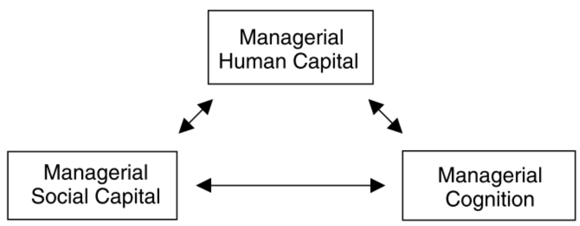

Figure 9: Managerial capabilities by Adner and Helfat (2003)

In Figure 10 Helfat and Martin (2015) present the underpinnings of dynamic managerial capabilities in the context of strategic change. More notably, the research and the figure open up explicitly what they mean by the different elements of managerial capabilities.

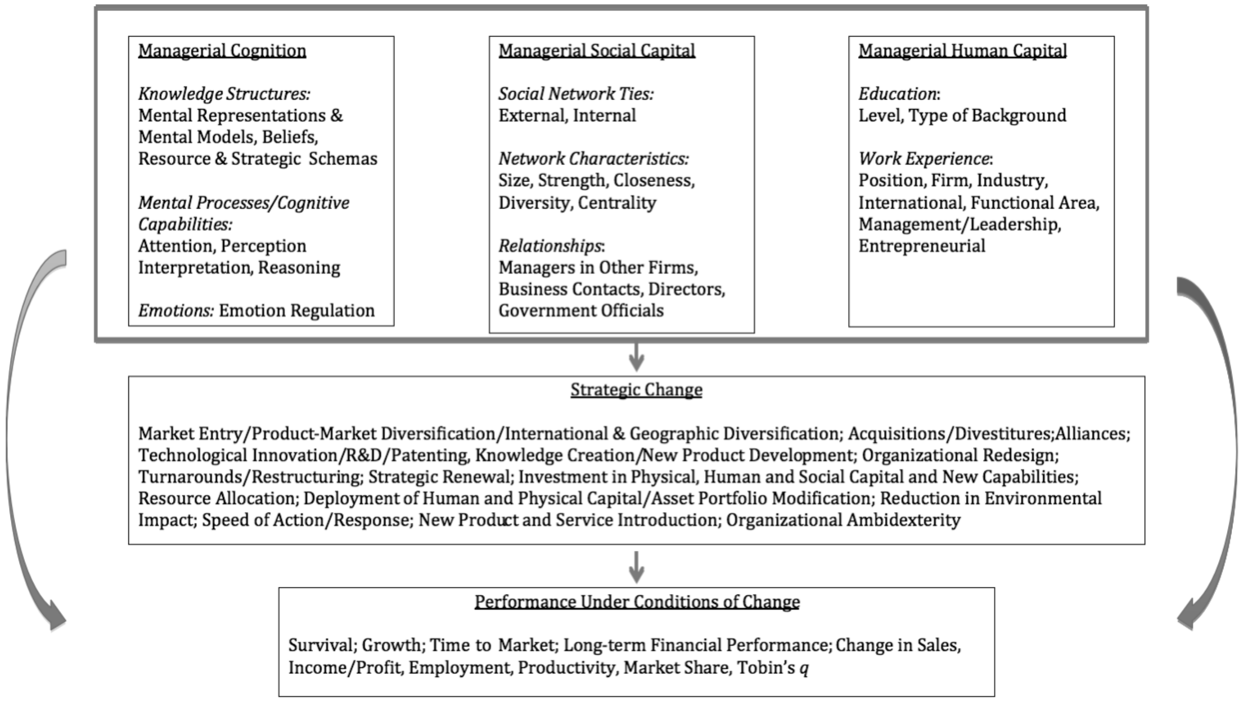

Figure 10: Managerial capabilities in relation to strategic change and performance by Helfat and Martin (2015)

Beck and Wiersema (2013) see the managerial capabilities in relation to the firm strategy and performance, as depicted on Figure 11. According to Beck and Wiersema (2013), the human capital consists of knowledge and skill base and the social capital consists of social networks. All three antecedents of managerial capabilities are supported by past experiences and innate abilities. Managerial capabilities, on the other hand, are related to strategic decisions, which are related to firm performance. (Beck and Wiersema, 2013).

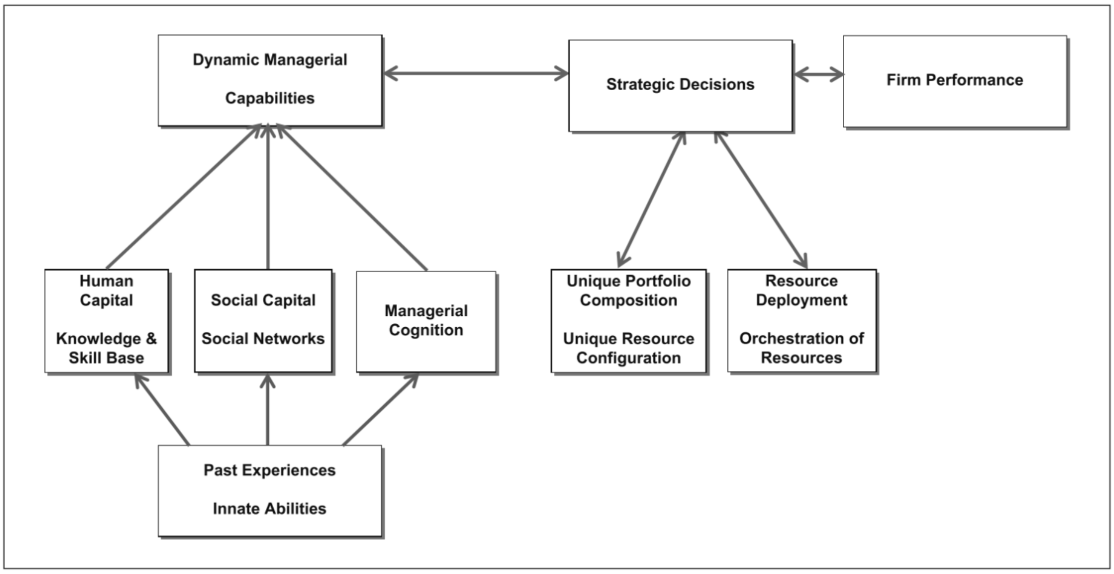

Figure 11: Dynamic managerial capabilities and firm strategy by Beck and Wiersema (2013)

Helfat and Winter consider the managerial capabilities in The Oxford Handbook of Creativity, Innovation, and Entrepreneurship (Shalley, Hitt and Zhou, 2015) in relation to innovation. In their model, dynamic managerial capabilities mediate the managers' impact on both technological innovation and business model innovation.

In Figure 12 Helfat and Peteraf (2015) consider managerial cognitive capabilities, dynamic managerial capabilities and their impact on strategic change, and consequently to firm performance. The figure connects the micro level cognitive capabilities like perception and problem-solving with microfoundations of dynamic managerial capabilities. The breakdown of dynamic managerial capabilities into sensing, seizing and reconfiguring has roots in dynamic capability research, as Teece (2007) has studied these microfoundations on organizational level. In Helfat's and Peteraf's (2015) model the microfoundations are connected to the macro level processes related to strategic change.

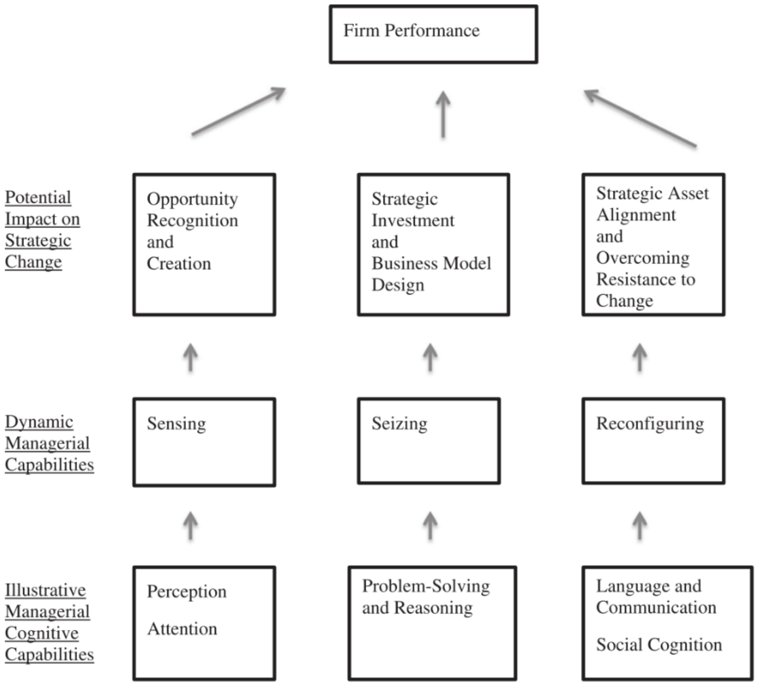

Figure 12: Managerial cognitive capabilities, dynamic managerial capabilities and strategic change by Helfat and Peteraf (2015)

In Figure 13 Kor and Mesko (2013) consider how managerial capabilities affect the emergence of firm's dominant logic.

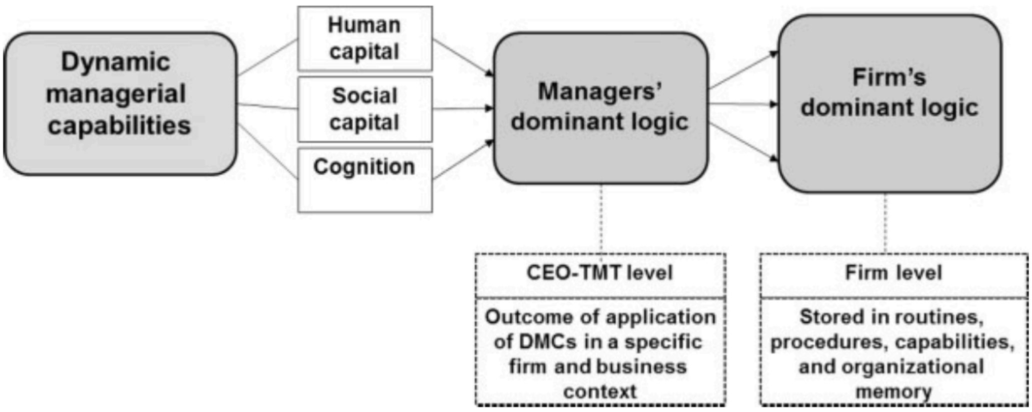

Figure 13: Dynamic managerial capabilities and managers' and firm's dominant logic (Kor and Mesko, 2013)

Their model considers how the managerial capabilities affect the managers' dominant logic, and how that logic affects the dominant logic on the firm level. The managers' dominant logic is constructed when these three elements of managerial capabilities are used in processing and interpreting the information specific to the firm and the environment. Consequently, over time the managers' dominant logic expands and becomes embedded in firm level routines, procedures and resource commitments, forming firm level dominant logic (Kor and Mesko, 2013). Over time managerial capabilities have the potential to fundamentally change the way the firm makes decisions and operates itself.

2.4.2. Managerial human capital

Managerial human capital refers to human capital related to managing. Human capital refers to learned skills that require some investment in education, training or learning more generally (Becker, 1964). Similar to other employees, managers gain knowledge and expertise and improve their abilities from past experiences and by practicing. Castanias and Helfat (1991) distinguished generic, industry-specific and firm-specific skills from each other, and later added the aspect of related-industry skills (Castanias and Helfat, 2001). Only the generic skills acquired are fully transferable to other positions and companies, as the usefulness of other types of skills are dependable of the context (Adner and Helfat, 2003). On the other hand, Bailey and Helfat (2003) suggest that industry-specific human capital is positively correlated with company performance.

Helfat and Martin (2015) break down the managerial human capital into education and work experience. In addition, they include skills and psychological attributes of cognitive ability and other abilities in the concept of managerial human capital. Their definition of the managerial capabilities leaves the line between managerial human capital and managerial cognition a bit fuzzy, as both include parts of cognitive abilities.

2.4.3. Managerial social capital

Adler and Kwon (2002, p. 23) define social capital as "the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor." Social capital includes social goodwill and social ties that enable building the goodwill. In addition to goodwill, social ties can also help transfer information from one setting to another. (Adler and Kwon, 2002).

Adler and Kwon (2002) divide the social capital into internal and external social capital. Internal social capital means social capital, networks and contacts inside the organisation. In case of corporate venturing, this means social capital inside the parent company. Formal and informal internal work relations provide managers with a network that they can use to obtain information and other resources. External social capital means social networks and contacts outside the organisation. According to Adner and Helfat (2003), managers' external ties can improve the firm's performance in two ways: first, by having access to external resources the firm needs in order to operate, and second, by having ties to directorship in other firms. External ties, especially directorship ties, provide information about practices in other firms, which can improve executive decision making. To conclude, differences in information sources might lead to differences in managers' decision-making. (Adner and Helfat, 2003).

Helfat and Martin (2015) divide managerial social capital into social network ties, social network characters and relationships, and the goodwill derived from the relationships. They also highlight that managerial social capital might be important for seizing and reconfiguring as well. For example, external social ties can provide resources, and similarly, central position in internal social network might be helpful in gaining power over resources or in gaining influence.

2.4.4. Managerial cognition

Adner and Helfat (2003, p. 1021) define managerial cognition as "managerial beliefs and mental models that serve as a basis for decision making". Gavetti and Levinthal (2000, p. 113) define cognition as "a forward-looking form of intelligence that is premised on an actor's beliefs about the linkage between the choice of actions and the subsequent impact of those actions on outcomes." Recent empirical research suggest that managerial cognition shapes strategic decisions and outcomes, and therefore the differences in managerial cognition might lead to differences in strategic decisions and outcomes. (Adner and Helfat, 2003).

In addition to mental models and beliefs, mental processes and managerial cognitive capabilities, Helfat and Martin (2015) include emotions and emotion regulation as one part of managerial cognition. Emotion regulation means "the management and modification of one's own emotions" as defined by Zott and Huy (Zott & Huy, in press). The research of emotions as part of managerial capabilities is nascent, suggesting a research gap in managerial capability research.

2.4.5. Linkages between different forms of capabilities

Although the managerial capabilities are divided into three elements, these elements are also linked together. Adner and Helfat (2003) consider linkages between all three of the elements.

Managerial human capital and managerial cognition are linked together at a fundamental level. Managerial human capital includes the knowledge gained from prior work experience, which forms part of the cognitive base for managerial decisions. That is, human capital is partly the base for managerial cognition. On the other hand, mental models held by managers provide direction in the process of learning from experience. This suggests that managerial cognition and information processing shape the acquisition of new human capital via experiential search and learning. (Adner and Helfat, 2003). To conclude, managerial human capital affects managerial cognition and vice versa.

Managerial cognition is related to managerial social capital in a similar way as it is to managerial human capital. External and internal social ties provide access to information that augments the cognitive base for decision making. Social ties can very well affect managerial beliefs. (Adner and Helfat, 2003). On the other hand, managerial cognition is expected to affect social ties that lead to social capital. For example, Krackhardt (1990) found that greater accuracy of employees' perceptions of informal network ties meant that these individuals had higher influence on other individuals in the network.

Lastly, managerial social capital and managerial human capital are linked: social capital affects the manager's human capital by giving access to information and providing information that affects the manager's knowledge base (Adner and Helfat, 2003). In addition, human capital affects social capital as it can make the manager more sought after, for example, as a board member for other companies (Castanias and Helfat, 2001).

2.4.6. Impact of managerial capabilities to venture performance

Existing literature includes limited amount of managerial capability research in the context of corporate venturing and corporate venture performance, but literature on managerial capabilities on new venture performance is more extensively available. Bosma et al. (2004) studied the impact the human capital and social capital investments have on business performance of startups. Davidson and Honig (2003) studied the roles human capital and social capital play in nascent entrepreneurs' activities. Lee and Tsang (2001) studied Chinese entrepreneurs in small and medium sized businesses in Singapore, and more specifically, how their personality, background and network activities affected venture growth.

From a human capital perspective, experience on activities relevant to business ownership, and experience from the industry the venture is operating in, had positive correlation with venture survival. Similarly, experience on business ownership and industry experience as well as high education were positively correlated with venture profitability. Further, earlier work experience as an employee correlated positively with both venture survival and profitability. (Bosma *et al.*, 2004) Davidsson and Honig (2003) found that previous startup experience or business education is positively correlated with engagement in nascent business activities (i.e. venture emergence), while it did not seem to affect the success of new ventures. Lee and Tsang (2001, p. 583) found out that "industrial and managerial experience is the dominating factor affecting venture growth". Dimov (2010) suggests that contextual knowledge gained from prior industry experience and procedural knowledge gained from prior entrepreneurial experience are valuable resources in guiding the founder towards venture emergence. In addition, both industry and entrepreneurial experience can improve the productivity of a new entrepreneur (Dimov, 2010). Still, only a fraction of the research available uses venture emergence and growth as their dependent variables.

Colombo and Grilli (2005) studied founders' human capital in the context of technology-based firms' growth. They found out that education in managerial and economic fields, and to some extent in scientific and technical fields, affects venture growth positively. Prior work experience in the same industry led to superior growth while experience from other industries did not have an effect. Additionally, technical work experience accelerated the venture growth. Also, Colombo and Grilli (2005) determined that founders with prior entrepreneurial experience led superior venture growth. Lastly, they found evidence of synergies between specific complementary capabilities. Combining managerial-economic education with prior industry-specific work experience from technical and commercial functions led to superior growth. Commercial competencies as such had negligible effect, but if the founding team had technical capabilities simultaneously, the positive contribution of the commercial competencies significantly increased. (Colombo and Grilli, 2005)

From social capital perspective, utilising general channels, commercial relations and fellow entrepreneurs as ways of gathering information had slightly positive impact on venture survival. Additionally, commercial relations and fellow entrepreneurs as a way of gathering information had minor positive impact on profitability. (Bosma *et al.*, 2004) In another study (Davidsson and Honig, 2003), being a member in a business network was found to have positive effect on outcomes such as first sale or turning a profit. Similarly, Lee and Tsang (2001) found that frequency of communication with one's network was strongly and positively correlated with venture growth in case of smaller firms.

In the case of managerial cognition and personal preferences, there is some research available on its connection with venture emergence and growth. Coley (2009) states in the "three horizons of growth" framework by McKinsey that a business builder profile is best suited for running a growth business adjacent to and stemming from the core business. Builder is defined as an entrepreneurial person who enjoys building businesses. To support builders, the processes should be more flexible than they are for the core business. Related to managerial cognition, Lee and Tsang (2001) found out that both individual need for achievement and internal locus of control are positively correlated with venture growth, although the study did not specify between corporate venture and a standalone startup. Dimov (2010) suggests that opportunity confidence, which is also a form of managerial belief, is positively correlated with venture emergence. This is related to the suggested positive correlation between opportunity feasibility belief and venture emergence (Dimov, 2010). Still, the research on managerial cognition's impact on venture performance is limited.

Managers' cognitive ambidexterity has been studied in the context of innovation (Mom, van den Bosch and Volberda, 2009, p. 812), where they define individual manager's ambidexterity as "a manager's behavioural orientation toward combining exploration and exploitation related activities within a certain period of time". Ambidexterity is important in the context of innovation, as exploitative activities are more concerned with core business innovation, whereas explorative activities are concerned with adjacent and transformational innovation. Especially explorative activities are related to entrepreneurial behaviour and corporate entrepreneurship, as ambidextrous managers may be more willing and capable of entrepreneurial activities than non-ambidextrous managers.

To conclude, research on managerial capabilities is focused on managerial cognition and social capital, on top of managerial human capital, but their impact on corporate venture emergence and growth is not well-studied nor understood phenomenon. This logically leads to our first research question: *Which managerial capabilities (cognitive, human, social, emotional) enabled and which obstructed the creation of a corporate venture?*

2.5. Organisational culture's effect on managerial capabilities

Managers employ and develop their managerial capabilities always in a context and not in a vacuum. The importance of context is well established in the corporate entrepreneurial literature (e.g. Ireland, Covin and Kuratko, 2009). However, we know little about how the interaction between managerial capabilities and the context impact corporate entrepreneurial behaviour, and more specifically the emergence and growth of new ventures within a parent company. The thesis takes into account the culture as pro-entrepreneurship cognitions do not usually lie solely within the cognitive domain of managers, but rather they can be manifested throughout the organisation. And when these cognitions are broadly descriptive of the members of the organisation, they are reflected to the company culture, which can affect individual managers. In this thesis, we use the broad definition of company culture, which includes the ways of working, the behavioural norms and what is allowed in the company, in addition to beliefs and values the employees have collectively (Wilson, 2001). So far, the impact the company culture has on managerial capabilities is not studied in detail. Still, some literature related to the topic is available.

2.5.1. Organisational culture's effect on managers' cognitive capabilities

Mom et al. (2009) gathered findings related to corporate environment's effect on cognitive capabilities. They suggest, on top of earlier research (Organ and Greene, 1981), that when tasks of certain roles are not formalised, it leads to better understanding of the larger picture. It reduces the sense of isolation, and it helps in comprehending relationships between one's own tasks and larger purpose. These findings imply that creating an organisation with less formalised roles leads to a better understanding of the larger purpose of the business on individual level. Additionally, less formalised roles help the employee to be more like a generalist than a specialist (Birkinshaw and Gibson, 2004) which is beneficial for entrepreneurial activities. To conclude, it can be argued that understanding larger picture of the business, more than just one's own tasks, and being generalist and ambidextrous are related to building entrepreneurial managerial capabilities.

Earlier research (Floyd and Lane, 2000; McGrath, 2001; Crossan and Berdrow, 2003) propose that increased decision-making authority increases managers' motivation to both use and refine their existing skills and expertise, and also to develop new skills and expertise as the managers cannot rely on superiors' skills and expertise. Consequently, Mom et al. (2009) suggest that giving decision-making authority improves managers' cognitive capabilities on an individual level.

Additionally, Mom et al. (2009) suggest that manager's participation in cross-functional interfaces and manager's connectedness to other members of the organisation is positively related to the manager's cognitive capabilities. Again, this implies that organisational structure that enables cross-functional interfaces and connectedness builds social capital, that in turn improves managers' cognitive capabilities.

2.5.2. Organisational culture's effect on entrepreneurial managerial capabilities

Ireland et al. (2009) have conceptualised an interaction suggesting that organisational architecture and employees' capabilities contribute to employees' entrepreneurial behaviour, which also includes venturing behaviour. They suggest that the impact of the pro-entrepreneurship organisational architecture consists of four parts: structure, culture, resources and reward systems, while culture is one of the most important factors. Ireland et al. (2009) also suggest that the individual entrepreneurial cognitions work both ways: the pro-entrepreneurship organisation increases employees' entrepreneurial behaviour, but similarly individual entrepreneurial cognitions, if broadly represented in the organisation, reflect themselves in the organisational culture.

Additionally, Ireland et al. (2009) suggest that the strength of the cultural norms favouring entrepreneurial behaviour are positively related to organisational member's pro-entrepreneurship cognitions. Consequently, these cognitions are suggested to be positively correlated with individuals' entrepreneurial opportunity recognition and exploitation. They also suggest that the presence of entrepreneurial strategic vision communicated by top management is positively related to cultural norms favouring entrepreneurial behaviour. The findings by Ireland et al. (2009) are supported by earlier research by Kuratko et al. (2007).

Related to corporate entrepreneurship, Kuratko et al. (2007) suggest five internal antecedents to corporate entrepreneurship and managers' entrepreneurial actions based on earlier literature (Kuratko, Montagno and Hornsby, 1990; Hornsby, Kuratko and Montagno, 1999). First antecedent is top management support, which means willingness to facilitate and promote entrepreneurial behaviour and providing resources for managers to take entrepreneurial action. Similarly, Kuratko et al. (2007) suggest that accepting ideas and initiatives from employees makes the company more entrepreneurial.

Second antecedent is work discretion and autonomy, which means that the firm commits to tolerate failure, provides freedom to make decisions and freedom from excessive oversight (Kuratko, Hornsby and Goldsby, 2007). This is related to the increased decision-making authority which improves managers' ambidexterity (Mom, van den Bosch and Volberda, 2009). In a way, freedom and authority to make decisions increase entrepreneurial behaviour and explorative activities.

Third antecedent to managers' entrepreneurial actions is rewards and reinforcement, which means using systems that give reward based on performance and highlights significant achievements (Kuratko, Hornsby and Goldsby, 2007). According to Ireland et al. (2009), organisational reward systems can have direct and immediate effect on entrepreneurial behaviour. Related to incentives, Klarner et al. (2013) studied how to attract, motivate and nurture high-profile employees with entrepreneurial abilities in order to foster the corporate entrepreneurship activities of the company. They suggest creating a spin-along corporate venture model to support entrepreneurial employees' motivation, which consequently leads to attraction, nurturing and retention of these entrepreneurial employees. Klarner et al. (2013) suggest that such design offers the spin-along corporate venture founders a combination of flexibility and security, which improves the founders' work motivation. This way to motivate employees is one way to manage the agency of the employees (Jones and Butler, 1992).

Fourth antecedent to corporate entrepreneurship is resource availability, which means that individuals and groups have enough time and other resources to pursue innovations (Kuratko, Hornsby and Goldsby, 2007). Hornsby et al. (2002) suggest that the resource availability encourages experimentation and risk taking. Fifth antecedent is organisational boundaries, which means "precise explanations of outcomes expected from organizational work and development of mechanisms for evaluating, selecting, and using innovations" (Kuratko, Hornsby and Goldsby, 2007, p. 68). Properly used, these boundaries can be used to encourage entrepreneurial activities.

Existing literature does not have a clear answer to the question of what impact does the parent company and its organisational culture have on managerial capabilities that enable corporate venturing, which implies a research gap. Still, it can be argued that the parent company culture plays a significant role in the development of the managerial capabilities. This leads us to our second research question: *How does the organisational culture at the parent company affect the managerial capabilities critical to the founders of a corporate venture?*

3. Methodology

This chapter describes the methodology used for this research. The description includes research design and process, the methods used for data collection, processing and analysis, and the measures utilised to ensure validity and reliability of the research.

3.1. Research design

This empirical research is qualitative in nature. Its research design consists of multiple interrelated design decisions as depicted in Figure 14. The research ‘onion’ approach, as presented by Saunders, Lewis and Thornhill (2012), gives a high-level picture of the research decisions: it consists of six layers. First outer layer is research philosophy, second layer is research approach and rest of the layers uncover different aspects of the research design. The outer circles represent high-level decisions and the decisions become more practical as the figure approaches the inner circles. The innermost step, data collection and data analysis, is discussed in sections 3.3 and 3.4 in more detail. Such methodological decisions cannot be made separately; to achieve logical and coherent research design, the decisions have to be made in relation to each other (Saunders et al., 2012). For example, inductive, i.e. theory-building, research usually fits better together with qualitative research methods than quantitative methods.

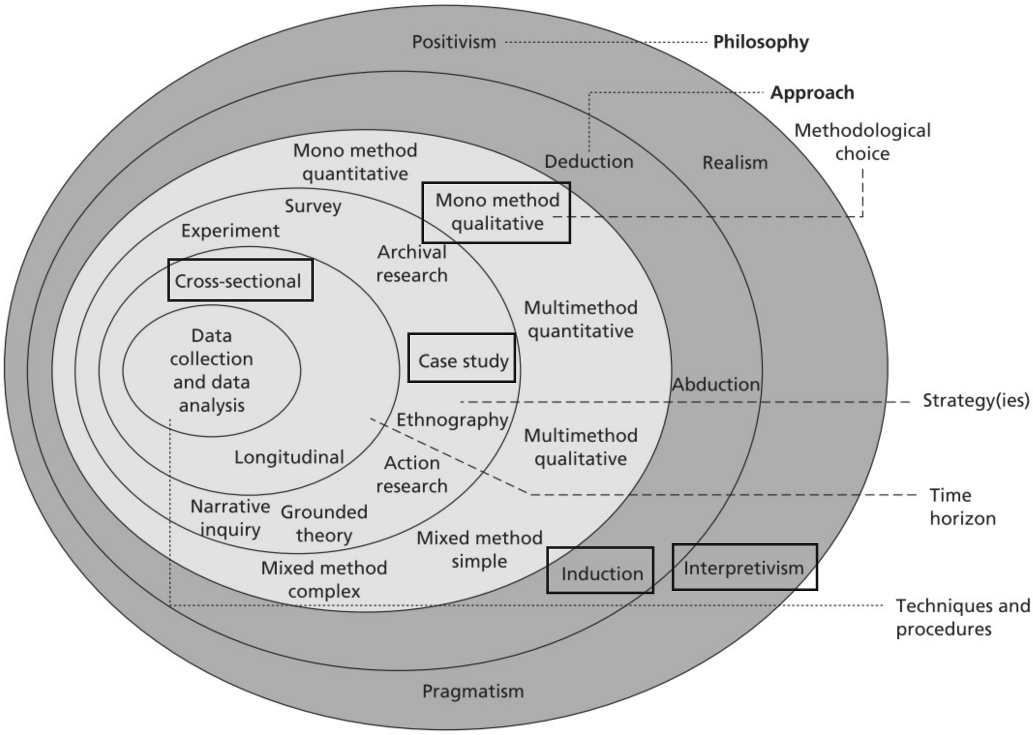

Figure 14: Research onion (thesis' research choices highlighted) by Saunders et al. (2012)

The most appropriate research philosophy for this thesis is interpretivism, and it is the most appropriate for two reasons. Firstly, the interpretivist point of view states “it is necessary for the researcher to understand differences between humans in our role as social actors” (Saunders et al., 2012, p. 137). The philosophy appreciates the difference between researching interactions between people rather than objects such as computers or materials. This philosophy suits well with the research questions, one of which is about individual managerial capabilities and the other about organisational culture’s impact on individuals. Secondly, Saunders et al. (2012) state that some people consider interpretivism highly appropriate for business research, and especially appropriate for such fields as organisational behaviour. In addition, research in business involves people and complex situations (Saunders et al., 2012). Again, the thesis is in business context and it involves people in complex social situations, making interpretivism the most feasible philosophy for such research.

To look deeper onto what interpretivism means, interpretivist research philosophy can be considered in three contexts: ontology, epistemology and axiology (Saunders et al., 2012). First, ontology considers the nature of reality. From ontological perspective, interpretivism sees reality as socially constructed, subjective and continuously changing. The ontological perspective to interpretivism is taken into account when assessing the reliability of the findings. The findings from the interviews are considered subjective, which poses limits to the reliability of the findings.

Second, epistemology is concerned with what is acceptable knowledge in a field of study, and from this perspective, interpretivism means that observable phenomena have subjective meanings, and that the reality is behind these subjective details. The epistemological perspective is considered in analysing findings. Interviews reveal a lot of subjective meanings, and the goal is to dig through the subjective layer to the more objective truth. Although this is the goal, it is sometimes impossible to achieve the objective meanings, therefore more subjective views are acceptable in findings, as this research is interpretivist in nature.

Finally, axiology is concerned with what role does the researchers' values play in different stages of the research process (Saunders, Lewis and Thornhill, 2012). Heron (1996) sees our values as the guiding reason for all of our action. Researcher demonstrates their values during all stages of the research, therefore acknowledging that values affect research process is important for ensuring credibility of the findings (Heron, 1996). In other words, researcher is part of what's being researched (Saunders, Lewis and Thornhill, 2012). The axiological perspective is taken into account during conducting interviews: interviews are conducted in the most neutral way possible, the goal is to keep own values from affecting the interviews. Additionally, when analysing and assessing interview answers from transcripts, the interview question and its wording should be taken into account.

Research approach of this thesis is induction, which is also called the theory-building approach to research. Induction is interested in the context in which the phenomena are taking place, and it is considered to be a proper approach when the research is unique, the context of the study is specific and there are no existing theories on the research topic. (Saunders, Lewis and Thornhill, 2012). Inductive approach is appropriate in answering to this thesis' research questions, because there is limited research on managerial capabilities in corporate venture setting available. And in this case, the parent company is known for having a unique culture, therefore the context of the study is unique. Additionally, no research is available on the role the organisational culture or environment plays on managerial capabilities. This lack of research base for preliminary theories makes creating a theory before conducting research unfeasible. To conclude, inductive approach is appropriate because the unique context makes building existing theories superficial, but simultaneously the unique context offers great opportunity for theory-building.

Before looking deeper into research design, the nature of the research design should be addressed. That being said, this thesis is explorative in nature. As the name suggests, this approach explores the situation in question, discovers what is happening and also aims to clarify one's understanding of the problem, as the understanding is often still unclear when explorative research starts (Saunders, Lewis and Thornhill, 2012).

The thesis looks to uncover research questions by applying single method qualitative research methodology. Qualitative research aims to gain understanding on human behaviour and reasons behind certain behaviour. Qualitative research often goes together with interpretive philosophy (Denzin and Lincoln, 2005) as well as inductive research approach. In our case, only semi-structured and unstructured interviews are used which makes the research effectively mono-method research as unstructured interviews are only used to gain better understanding of the context initially. (Bryman and Bell, 2011). The choice of using interviews as the only method is made for one main reason: interviews are the only appropriate way to get in-depth understanding in this unique context. Triangulation of evidence was done with different data sources, i.e. different interviewees, to improve reliability of the research (Saunders, Lewis and Thornhill, 2012). This topic is undocumented at the case company, and getting to the tacit knowledge requires interviewing. Obviously, all relevant documentation that was obtained was also reviewed.

As mentioned in earlier chapters, this thesis is a single case study. Case studies often aim to answer to questions of why and how, and case studies seek to explain some present situation. Case studies are utilised to gain deep knowledge on specific topic; the more in-depth knowledge needed, the more relevant case study method becomes. (Saunders, Lewis and Thornhill, 2012). Although this is a case study, this research borrows from grounded theory. Grounded theory aims to develop theoretical explanations of social interactions and processes, and it is suitable for business and management contexts. This research aims to build hypotheses or theoretical concepts, thus benefitting from grounded theory approach. (Charmaz, 2006; Saunders, Lewis and Thornhill, 2012).

This research is cross-sectional so it is conducted in specific context and in specific time. Specifically, the study is limited to six months prior up to until one year after founding the corporate venture. Effectively, this covers the earliest brainstorming sessions of the venture and its progress to present time. This timeframe is chosen so that it covers most if not all events and activities related to the founding of the venture. Additionally, if during the interviews earlier events are uncovered which seem to represent how the culture at the parent company has affected founders' managerial capabilities, these events are included. It that way, this thesis is retrospective.

3.2. Research process

Initially the process started with an opportunity to write a thesis for the client company, Columbia Road. As I had been working there for almost a year, and they acknowledged that I still had my thesis left to do, they realised there was an opportunity for me to help the organisation with my thesis. The broad research area was presented to me by my thesis instructor from the client company. The research process as a whole is depicted in Figure 15.

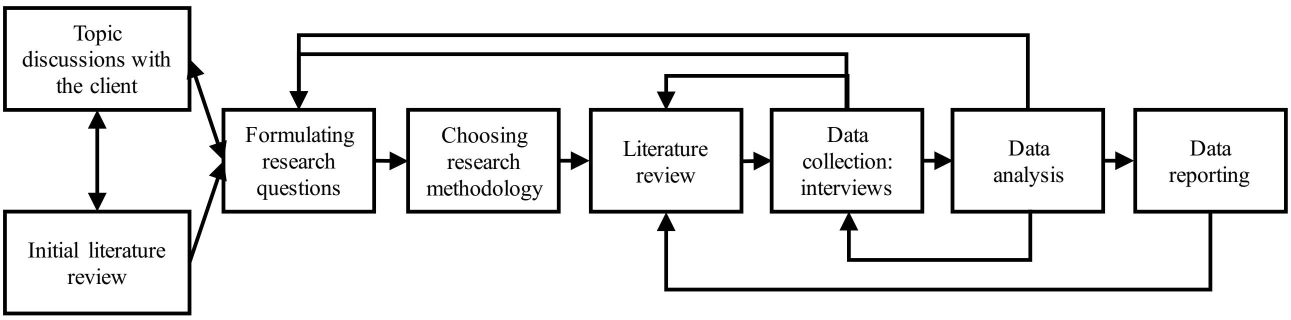

Figure 15: Research process

The discussion started with the identified need at the client company to understand what leads to successful corporate venturing. This was discussed multiple times with the client company, and between the meetings I did initial literature review on the topic to better understand the theoretical context of the upcoming research assignment. Initial literature review and discussions with the client company progressed concurrently.

Once I had a high level understanding of the topic, I contacted Aalto University faculty. Discussions with faculty were useful in narrowing down and clarifying the topic. It helped forging the research objectives, and consequently formulating the research questions. Understandably, initial research questions were only formed after the needs of the client company were fully understood and the academic perspective by Aalto faculty offered. This enabled forming questions that were 1. helpful for the client company, 2. interesting for me as a researcher and 3. interesting and meaningful from academic perspective.

Once the research questions were formed, the research methodology was selected. This was a rigorous process of familiarising myself with different potential choices, and finding out which method choices would best suit my research questions. Decisions regarding methodology are interrelated to research questions but also to findings. Therefore, methodology was finalised iteratively.

Booking the interviews to collect data was done immediately after identifying relevant individuals to interview. The sampling was simple for this case: interview people who were involved with the corporate venture founding and early growth according to corporate venture founders.

Narrative literature review was built upon sources used in initial literature review, and reviewing literature progressed simultaneously with data collection i.e. interviews. In a sense, they both supported each other: it is easier to ask the right questions after understanding the relevant research, but conducting the interviews enabled structuring the literature review to contain literature relevant to the findings. Majority of the literature review was done only after the interviews and data analysis. This was done to keep the literature review more focused on areas that are related or complement the findings. In addition, being partly unaware what to expect enabled me to stay unbiased with less effort.

During the transcription of the interviews, the data analyses were also started. The conceptual and theoretical work followed interpreting the data. Theoretical work further clarified and specified what the research actually gives answers to, therefore narrowing down the initial research questions. Research process is about finding balance between research questions, methodologies and results, therefore a change in results (compared to what was expected) can lead to a change in research questions. The research was finalised with discussion including conclusions.

3.3. Data collection

In-depth semi-structured interview as the research method allows more freedom, and enables the interviewer to go deeper in to the topic, and specifically to areas where the informants have more knowledge in, or according to interpretivist paradigm, where the informants have stronger or deeper point of views. As the sample is limited in number of informants, aspiring to access all relevant views the informants might have is important. (Saunders, Lewis and Thornhill, 2012).

Probability sampling, also known as randomised sampling, is not often used with qualitative research as it is more suitable for quantitative research (Wengraf, 2003). Instead, purposeful sampling is commonly more suitable for qualitative research (Patton, 1990). Purposeful sampling means deliberately choosing the informants, not picking them randomly or haphazardly (Wengraf, 2003). Applying Patton's table of sampling strategies, criterion sampling is used, which is a sub-group of purposeful sampling. Criterion sampling, as the name suggests, means picking people who fulfil some criterion. This is usually done to assure quality of the interviews. (Wengraf, 2003). In this research's sample the criterion is simple: interview people who have been involved with founding or early stages of the case company, i.e. involved in the founding of the corporate venture. Additionally, aspects of intensity sampling (Wengraf, 2003) has been applied, as people involved in a very limited manner were excluded from the sample to ensure high-quality interviews.

Interviewees consisted of people who had information on the founding process of the corporate venture. Total of 11 interviews were conducted with 10 interviewees. The list of interviewees and their role in the founding process is available in the appendix 1. The interviews took place between May 26th 2017 and June 30th 2017.

Semi-structured approach enables asking follow up questions from the informants, and follow up questions lead the interviews to varying directions, as none of the interviews follow the exact same route (Bryman and Bell, 2011). As much care as possible was taken to avoid leading the informant with the questions. The interviews lasted from half an hour up to two hours. The interview protocol is available in the appendix 2.

To ensure the quality and accuracy of the data, the interviews were recorded, with consent from the informants. The recordings were transcribed as soon after the interviews as possible to enable further data analysis. The act of transcribing was also used to enable "memo-izing" the interviews, in other words taking notes while listening to the interview record for the first time as Wengraf (2003) suggests. Listening the interview for the first time provokes memories and thoughts related to the interviews, and writing these down helps formulating theories and processing the interviews in mind (Wengraf, 2003). Wengraf (2003) also states that most of the potential benefit of transcribing is wasted if transcribing only leads to a transcript but no theoretical memos. In addition to transcribing, notes were taken during the interviews and filled in after the interviews.

3.4. Data analysis

This chapter explains in detail how the data was analysed, the methodology being the same for both of the research questions.

Firstly, soon after transcribing the interview, or already the same day if possible, the first order coding is done. The Gioia-methodology is applied when coding the interview transcripts and interview notes (Gioia, Corley and Hamilton, 2012). Manual transcribing was conducted with Wreally's Transcribe web application.

The first order coding applied in this research is initial coding, also known as open coding, with some aspects of in vivo coding. Initial coding aims to break down the qualitative data into discrete parts, and the goal of the coding method, especially when building theories, is to remain open to all possible theoretical directions. (Saldana, 2009). First order coding is also done in interviewees' terms, in other words the terms in the codes are the ones the informants use, not yet strictly theoretical concepts. Keeping the codes in informants' terms is referred as in vivo coding. (Saldana, 2009). These first order codes are concepts as suggested by Gioia et al. (2012). As the first order concepts are in informants' terms, and they are not yet aggregated, the number of codes tend to be very large in the beginning of the research (Gioia, Corley and Hamilton, 2012). This being said, the number of first order codes from the 11 interviews of this research reached overwhelming 722 codes. Using researcher interpretation and expertise on the topic, and by considering what is relevant to answering the research questions, the first order codes were narrowed down to manageable 59 first order concepts. First order coding was done with ATLAS.ti software.

Second order coding gathers the first order concepts into themes. The second order coding method used is called focused coding, which often follows initial coding. (Saldana, 2009). Focused coding focuses to the most frequent or significant first order codes, which requires thinking about which initial codes make the most analytical sense (Glaser, 1978). Focused coding is a more streamlined approach compared to axial coding: focused coding does not require taking dimensions and relationships between the codes into account in as much depth as with axial coding. The second order themes are coded in researcher's terms, reducing the number of initial codes. (Saldana, 2009). Additionally, data from focused coding should not be forced to fit pre-existing categories or be discarded due to not fitting into an existing category (Charmaz, 2006). This makes focused coding appropriate for theory-building approach, where there are no pre-existing categories or theories.

Having both voices – the informants' voice in first order concepts and the researcher's voice in second order themes – is beneficial as it allows qualitatively rigorous demonstration of links between the data and the induction of the data, and it enables better sense-making (Gioia, Corley and Hamilton, 2012). Having a clear line of evidence between the terms used by the informants and the inducted concepts and theories is important in order to ensure high reliability and validity.

3.5. Reliability and validity

Bryman and Bell (2011) recognise reliability, replicability and validity as the most important criteria for evaluating business and management research.

Research is reliable if the results are repeatable (Bryman and Bell, 2011). In qualitative research, reliability is concerned whether other researchers would reveal similar information. Care has to be taken to achieve reliability in qualitative research, especially when semi-structured interviews are used as the research method. In addition to general reliability, semi-structured interviews are also prone to three different types of bias: interviewer bias, response bias and participation bias. (Saunders, Lewis and Thornhill, 2012).

As mentioned earlier, interpretivist research philosophy takes into account that researcher's values play a role in research and the results. While interviewing, researchers tend to show their values even if it is unintentional. This can be seen in how the questions are formed and which follow up questions are asked. In addition, the tone of voice, body language or possible reactions to informant's answers might jeopardise the reliability. This bias caused by the researcher is called the interviewer bias. (Saunders, Lewis and Thornhill, 2012).

In the research process, I as a researcher have taken into account the potential issues with reliability to my best ability. In practice, as unassuming questions were asked as possible, which was enabled by having very little prior knowledge or views on the topic. Additionally, reactions to informants' responses were moderated. For example, whether the responses were surprising or subjectively interesting or not, the reactions to the responses were kept as constant as possible.

Values and views of the researcher also affect the data analysis. For example, while coding the interview transcripts, it is essentially researcher's task to evaluate what pieces of data are relevant, i.e. which lines of data get coded and passed on to aggregate levels of coding, and what informants actually mean when saying certain things. Humans have tendency to focus on pieces of knowledge that support their pre-existing view of the topic (Saunders, Lewis and Thornhill, 2012). This reliability challenge was taken into account by keeping as open mind as possible towards the results, and consciously looking for conflicting information.

The second type of bias is response bias. This is caused by the respondent's perception of the interviewer or its bias, but it can also be caused by aspects not related to the interviewer. Especially in-depth semi-structured interviews can be intrusive. Even if the interviewee is willing to participate, they might still be sensitive to some topics. They might choose not to reveal certain information to avoid giving away sensitive information, or to avoid sensitive follow up questions. (Saunders, Lewis and Thornhill, 2012). This bias is especially dangerous in the context of this research as this is a single case study revolving around people. In a sense, even though the responses are anonymous, due to the small number of informants, true anonymity cannot be ensured. This issue of bias was mitigated, at least partly, by ensuring informants that none of the names mentioned are published, and all quotes or potentially controversial statements are passed to the informant before including the quote in the thesis.

The third type of bias is participation bias, which is caused by some people not being willing to be interviewed. (Saunders, Lewis and Thornhill, 2012). Fortunately, all ten interviewees were happy to accept the invitation, thus participation bias was avoided altogether.

Replicability is related to reliability. In order for the research to be replicable, the researcher has to write down the research procedures in great detail, so other researchers are able to try to replicate the results. Replicability is necessary for other people to assess whether the findings are reliable. (Bryman and Bell, 2011). This is taken into consideration by writing down the research process, including interview questions and data analysis techniques. However, inductive qualitative research conducted in *unique context* is, by definition, not fully replicable.

Validity is concerned with the integrity of the results of the research. There are multiple sub-categories to validity, namely measurement validity, internal validity, external validity and ecological validity. Measurement validity primarily applies to quantitative research, so the focus is on the three other forms of validity. (Bryman and Bell, 2011).

Internal validity is related to the issue of causality. It is mainly concerned whether causal link between a variable and the conclusion is valid. In other words, can we be sure that variable x is causing change in variable y, or is there a possibility that something else is causing the change in variable y? This research aims to maximise internal validity by triangulation of data sources, i.e. receiving the same piece of information from multiple interviewees. Still, it is impossible to be completely sure that a conclusion is valid in qualitative research in social context. Fortunately, this research is inductive, and therefore it does not require total confidence on all conclusion, rather it creates a conclusion to test in future research. (Bryman and Bell, 2011).

External validity is concerned whether the results of the study can be generalised outside the study context (Bryman and Bell, 2011). This is a significant challenge, as qualitative research in a unique context has inherently low external validity. External validity of the findings is shortly assessed in chapter 5.3 Limitations.

Ecological validity is concerned whether the social scientific findings are applicable to normal social setting (Bryman and Bell, 2011). In other words, does the technically valid findings have anything to do with what happens in people’s everyday work life? This issue is mitigated by conducting the research with in-depth semi-structured interviews, which are comparably close to natural discussions, compared to other available research methods like questionnaires.

4. Findings

4.1. Introduction

The fourth chapter introduces the findings of the empirical research. The findings are divided into three sections. The first and the second section uncover the results regarding the first research question. The first part unfolds the venture founders’ managerial capabilities that enable the emergence and growth of the corporate venture. The second part uncovers the other managers’ and early core employees’ managerial capabilities that enable the emergence and growth of the corporate venture. The third part answers to the second research question, and therefore disrobes the organisational culture’s impact on founders’ managerial capabilities.

Each findings’ section is organized as follows: We employ a data structure to depict and organise the findings that emerge from the inquiry and which are relevant in answering each research question. In doing so, we draw from the methodology employed by Gioia et al. (Gioia, Corley and Hamilton, 2012). The data structure gathers together the first order concepts that are formed based on informants’ statements. These first order concepts are combined into more theoretical second order themes. These themes are then further aggregated into categories. The Gioia data structure keeps the line of evidence clear as it shows what the higher level findings are based on. Following the presentation of the data, each section concludes with an interpretation of how the managerial capabilities influenced the venture emergence and growth process, respectively.

4.2. Founders’ managerial capabilities in creating and growing a corporate venture

Three main areas of founders’ managerial capabilities emerged as significant in creating and growing the focal corporate venture. These three areas are founders’ common shared experiences of building new businesses and diverse experiences of running businesses, shared entrepreneurial aspirations and mindset and lastly, extensive internal social capital and strong social ties within the parent company. These founders’ managerial capabilities are available in Figure 16, and they are outlined in further detail in the sections that follow.

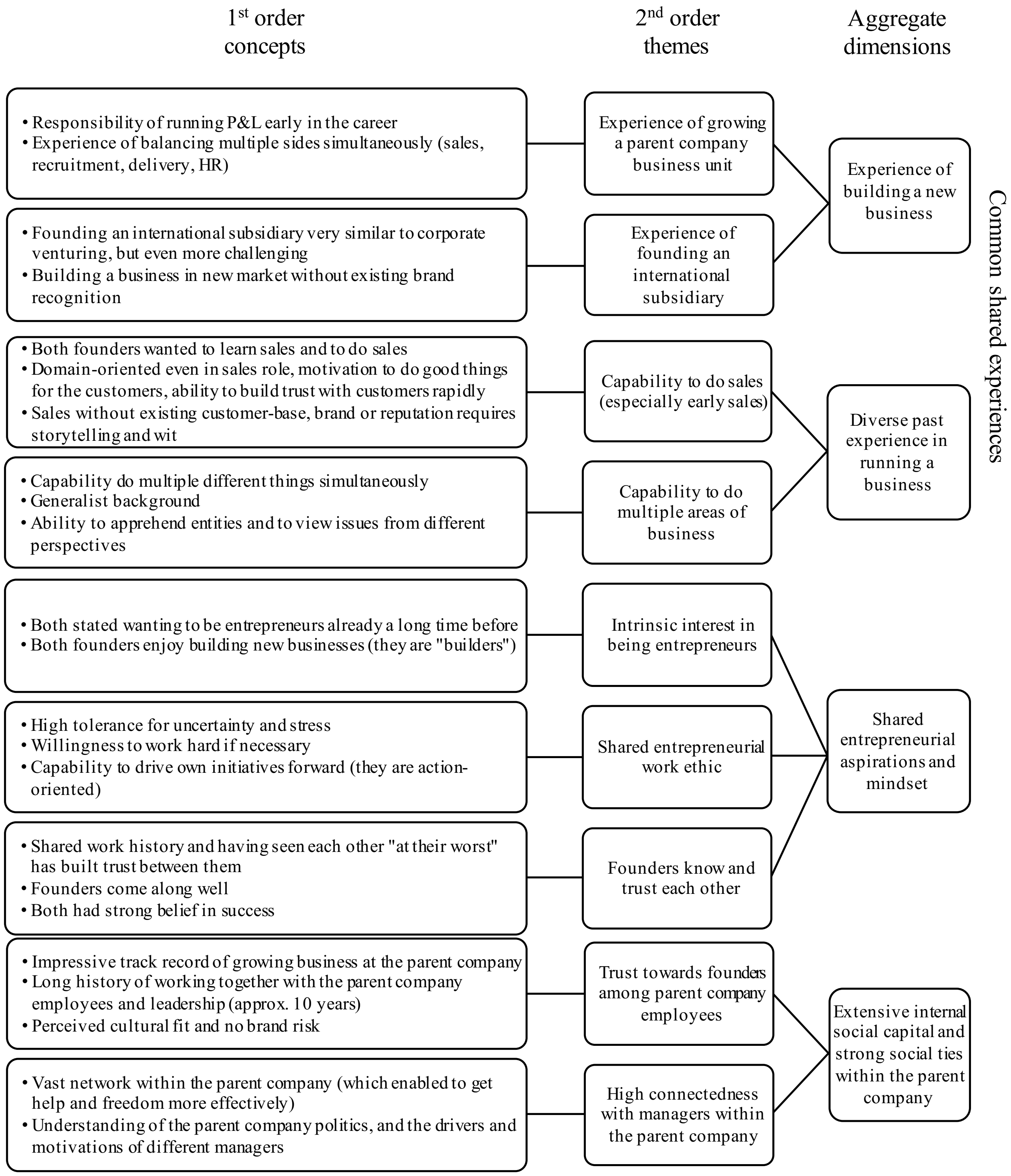

Figure 16: Data structure of founders' managerial capabilities that enabled corporate venturing

4.2.1. Founders' shared experiences

Figure 16 depicts the founders' relevant managerial capabilities which, based on the data, appear to play a critical role in enabling the venturing process in question. The founders' common shared experiences, that is the past experience of building businesses similar to the corporate venture, but also experience of diverse areas of business were both seen as the key managerial capabilities necessary for growing a corporate venture. Both founders have built and grown a business unit at the parent company, and both of them have founded an international subsidiary for the parent company.

There are multiple important aspects to these two experiences. First, the experience of profit and loss responsibility enabled the founders to experience the pain of being responsible for the results. Similarly, having experience of balancing multiple sides of the business like sales, recruitment and project delivery was considered important for growing the corporate venture and understanding the business dynamics. Second, the past experiences were considered to improve tolerance for uncertainty and stress, which was seen enabling the entrepreneurial growth. Third, especially the experience abroad was beneficial as abroad the building of business had to be conducted without brand recognition or existing customer base. It was considered very similar or even harder compared to corporate venturing domestically.

Related to the experience of building businesses, both founders' diverse experience of different parts of the business was also considered enabling the growth of the venture. There are two aspects to highlight in terms of capabilities. First, the capability to do sales especially during the early phases of building a business. Having the capability to sell single-handedly, and to do the whole sales process from start to finish was considered crucial in venture growth. Second, the capability to do multiple areas of business was perceived important for venture growth. According to the evidence, this can be divided into three areas: capability to do multiple things simultaneously, being a generalist and being able to apprehend entities and look at things from different perspectives.

The evidence from the interviews highlight the importance of the founders' shared experiences for the venture growth. One quote from one of the founders [2] highlight the similarity between the past business unit experience and founding the venture:

"It was like founding a mini company when one puts together a business unit in Finland."

Multiple informants mentioned that the founding experience abroad was potentially even more challenging than the founding of a corporate venture. One informant [4] highlighted the level of mental and emotional challenge in building business abroad:

"I've seen them both in a very stressed out condition. So I've seen their extremes, during times when they've been abroad stretched thin."

Same informant [4] addressed that the current corporate venture founding process might be less painful:

"I feel they are, in a way, more on their comfort zone now than when they were abroad."

All in all, the founders themselves but also multiple other managers considered the two past experiences very crucial part of the founders' managerial capabilities that enabled the success of the venture.

In addition to the past experiences, the evidence supports the impact the founders' diverse past experience had on venture growth. The sales capability was considered one of the bottlenecks for finding suitable candidates for building a corporate venture as one of the founders [1] mentioned:

"In the beginning [the work] is so much sales, and thus the [capable] group shrinks to a small size… or that it will be one of the most difficult parts of spin-off strategy that there are so few experienced, successful salespeople."

The evidence suggests that the second part of the sales capability enabling the corporate venture growth was that the founders are content-oriented although they are in a sales role. One informant stated that both of the founders are good salespeople, because they have motivation to do good things for the customer and they understand the technical content of what is being sold.

Most informants stated that being a generalist is an important part of being a successful entrepreneur: only focusing on one piece of the business does not work.

The data suggests that the capability to do multiple things simultaneously enabled building the corporate venture. As one informant [2] mentioned when asked about what was important around the time of officially founding the venture:

"I guess the multi-tasking and the ability to do multiple things at the same time."

Informants perceived that managerial capability to handle multiple different tasks was related to the ability to apprehend entities and to view issues from different perspectives. One informant [7] stated:

"In entrepreneurship one has to perceive, be it from customer's perspective, employees' perspective [or] financial perspective, everything endlessly. Some people want to simplify things so that they'll do this and let the other do the rest. That doesn't work."

To conclude, the evidence was strong on the importance of sales capability in venture growth, but simultaneously the founders should have the ability to see the larger picture and have the capability to do other parts of the business also.

The founders' shared past experiences of building businesses, and sales experience complemented with the ability and interest to look after the whole business was potentially the most important managerial capability in enabling the venture growth. In a sense, the data suggests that such past experience of building business became the basis for many of the other managerial capabilities the founders held.

To conclude, founders past experience of building businesses and diverse experience from business affected both venture emergence and venture growth. Not surprisingly, past experience of building and running similar businesses was implied to help in venture growth as it is easier to do things one has done before. In addition, the past experience and specifically the positive track record might have positively affected the venture emergence as both of the founders had strong belief in the success.

4.2.2. Shared entrepreneurial aspirations and mindset

Founders' entrepreneurial mindset and ways of working were an important area of managerial capabilities in enabling venture emergence and growth. This is heavily related to managerial cognition, as it is about individual mental models and ways of thinking in different situations and about perceiving what is important in different situations. The founders' entrepreneurial aspirations and mindset consist of three parts: the founders' intrinsic interest in being entrepreneurs, their shared entrepreneurial work ethic and the trust between the founders.

Both founders were considered as entrepreneurial individuals by the informants. Both of them stated already when joining the parent company that they would like to be entrepreneurs in the future. It is unclear what the impact on performance has been, but it has probably affected the venture emergence positively. In addition, both of them enjoy building new businesses. As one of the founders stated, they could be argued to represent so-called builder profile, made famous by McKinsey framework "three horizons of growth" (Coley, 2009). Builders are people that enjoy building new businesses that might in the future be part of the core business (Coley, 2009).

Founders perceived their work ethic as entrepreneurial. They had high tolerance for uncertainty and stress, which was mentioned multiple times. One of the founders [2] mentioned that it was especially the challenging work roles at the parent company that has helped in building this capability.

The trust between the founders and the fact that they know each other and come along well was also considered important. They consider having a similar sense of humour, and they consider themselves a good match. The founding process can be very hectic, and it was especially the hectic moments when the trust and coming along well was considered important. To conclude, the data suggests that the trust and coming along had a positive impact especially on venture emergence.

The evidence shows that both founders wanted to be entrepreneurs already years ago, and one of the founders [1] highlighted that both of the founders enjoy building businesses:

"We've discussed with [the other founder] that we get kicks out of building businesses, from getting something visible created."

Founders' high tolerance for uncertainty and stress was considered beneficial for building the business. Without this kind of courage, it would have been significantly more challenging to grow the business to over a million in revenue in less than a year. This capability was beneficial for the early employees also, even though they are not entrepreneurs. As one of the early employees [10] put it:

"If we were to wait that we have certainty [that all new recruits would have a project ready when they start], we would have four people at this firm at the moment. But in that uncertainty we've had the courage to take steps forward, and to grow at a rate that is, on many metrics, fierce."

The founders mentioned that their past experience of working together, also in challenging and stressful environments, have built strong trust between the founders. They have seen each other at their best and worst. As one of the founders [2] mentioned:

"I had seen [the other founder] during good times but also during bad times, so I knew how he reacts to things or how are his ways of working or what are his good and bad sides, in a way."

This was continued by the same informant [2] about the impact of seeing the other founder in challenging situations:

"There was this trust, as founding a company is quite hectic and all things do not always go as planned, so especially in founding a company [it's important] to have this trust that business runs smoothly."

The shared entrepreneurial aspirations and mindset is an important finding considering the venturing process, and it is a good addition to the mere human capital. Shared entrepreneurial aspirations and mindset allowed constructive and effective communication between the founders and enabled collaboration. It also inhibited interpersonal conflict, which allowed the founders to focus on resolving day to day problems rather than spending valuable time discovering common ground of values and principles to work on. In a sense, more time was left for task-related conflicts, i.e. how task-related challenges should be solved.

To conclude, founders' shared entrepreneurial aspirations and mindset affected both the venture emergence and venture growth. Founders stated that their intrinsic interest in being entrepreneurs affected the venture emergence positively. It was implied that it potentially also affected the venture growth, as both of the founders were deliberately building capabilities necessary for entrepreneurship already years before founding the venture. The shared entrepreneurial work ethic was implied to have affected venture growth positively, although connection between the work ethic and venture emergence is also possible.

4.2.3. Internal social capital within the parent company

One of the key findings was the benefits of founders' extensive internal social capital at the parent company. This internal social capital was built during the many years both worked at the parent company (each had worked approximately 10 years), and this internal social capital was visible and useful in two major ways. First, the internal social capital was visible as the trust the parent company employees and leadership had towards the corporate venture founders. Second way the internal social capital was visible was the corporate venture founders' deep understanding of the parent company, and understanding of the motivations and drivers of different stakeholders at the parent company. Knowing the people at the parent company enabled understanding the parent company politics, which enabled getting one's own initiatives and ideas forward more effectively.

The trust towards the founders was built during the years of working together with the parent company managers, but it was also built by both founders' convincing track record of building and growing businesses within the parent company. This trust was necessary to even be able to found the corporate venture, but it was also necessary in order to have almost complete autonomy over running the business.

This trust was also visible as the parent company management saw the founders as good cultural fit for the parent company's corporate venture. In a sense, the parent company considered the brand risk to be low with the corporate venture with these founders. The parent company leadership mentioned, that the money lost in the corporate venture does not matter much, but the damage to the brand or to client relationships is the real risk in founding corporate ventures. To conclude, the parent company management had little doubt that this corporate venture initiative would not succeed. And the new venture manager [3] promoted this also:

"I've had a very strong trust. I haven't doubted for a moment that this wouldn't succeed."

Related to the second form of internal social capital, the evidence suggests understanding the parent company politics and the individual drivers and motivations of key people was a key managerial capability. Data suggests that understanding the politics helped in creating ideas and models that are easier for different stakeholders to accept, but it also helped to decide who to involve in the founding process in the first place. One of the founders [2] mentioned:

"People have different kinds of motives and desires, for example, the [CEO of the parent company] had very different motives than the motives of the [new venture manager], [the other founder] or me."

One of the founders [2] explicitly highlighted the importance of internal social capital in corporate venturing:

"The organisation that is spinning out [the venture] should pay attention [and make sure] that those guys [the founders] have a very good network inside [the parent company]."

The importance of internal social capital and strong ties within the parent company is especially important as it is one of the main aspects which clearly separates corporate venturing from standalone entrepreneurship. In a sense, this social capital is an enabling part of managerial capabilities that is not as such available for founders of standalone startup, therefore potentially giving an edge for the corporate venture compared to the standalone startups. On the other hand, lack of internal social capital could potentially obstruct the founding of the corporate venture. In short, internal social capital is a critical piece on top of past experiences of building business and entrepreneurial aspirations.

To conclude, founders' extensive internal social capital and strong social ties within the parent company affected especially venture emergence. This connection was visible in two major ways: parent company managers trusted the founders, therefore giving them a chance to pursue these ambitious initiatives. On the other hand, founders knew the organisation, which helped them to find out about the opportunities and to understand what drives different people, which enabled them to navigate the political environment. Internal social capital was beneficial for venture growth also, as it enabled getting sales leads from the parent company managers, but also other less significant forms of support.

4.2.4. Other enabling managerial capabilities

Founders had other capabilities that enabled the founding and growth of the corporate venture, which are not illustrated in the data structure. Firstly, founders, and other people involved in creating the corporate venture model, considered earlier experience of creating contracts and negotiating useful for the process of creating the shareholders' agreement for the corporate venture. Focusing on founders' perspective, experience of large frame negotiations with clients helped them learn contract writing and negotiating dynamics, which made the negotiating process more balanced between the stakeholders.

Secondly, founders utilised both their own network and the network built via the parent company in early sales and early recruitment. Founders already utilised the contacts at parent company's clients and other sales contacts before founding the company. One of the founders stated that they started selling already two months before founding the corporate venture, which enabled starting customer projects right after founding the company. Obviously, in consulting sales cycles are long, and therefore it was necessary to start sales early to get a running start. The same goes to recruitment. Founders had initial discussions with one of the two early key employees already over two months before founding the company. Although they stated the successful recruitment was mostly about luck in timing, it was very beneficial to get a running start.

Lastly, especially one of the founders understood well what did not work in the parent company's culture and ways of working. For example, the issues with democratic decision making and the issues in the ways the parent company improves their offering were left out deliberately from the venture's culture and ways of working.

4.2.5. Obstructing capabilities

Only two distinct obstructing capabilities regarding the founders were identified during the in-depth interviews. First, one of the founders recognised a past tendency to try to do too much by oneself, and not delegating enough activities to others. This might lead to the founder being the bottleneck of the growth. Further, as the informant mentioned, such obstructions should be avoided, as it is very inefficient way to grow. Second, both of the founders were terrific at what they were doing at the parent company, and they had internalised the parent company's ways of working. Due to this history, it can be challenging to build a company with different culture and different ways of working. Although these two obstructing capabilities were recognised by some informants, no explicit evidence of this was acquired during the interviews.

4.3. Other managers' managerial capabilities in founding a corporate venture

Three main areas of managerial capabilities emerged as significant among the other managers who were involved in creating and growing the focal corporate venture. These are agency-managing capability, vast business building experience and capability, and the mediating capability. They are outlined in the sections that follow. In addition, the data suggests that the early employees of the focal venture contributed through their capability of enabling and accelerating growth, which consisted mainly of substantiating, resource acquisition and culture-building capabilities. All of these managerial capabilities are depicted below in Figure 17.

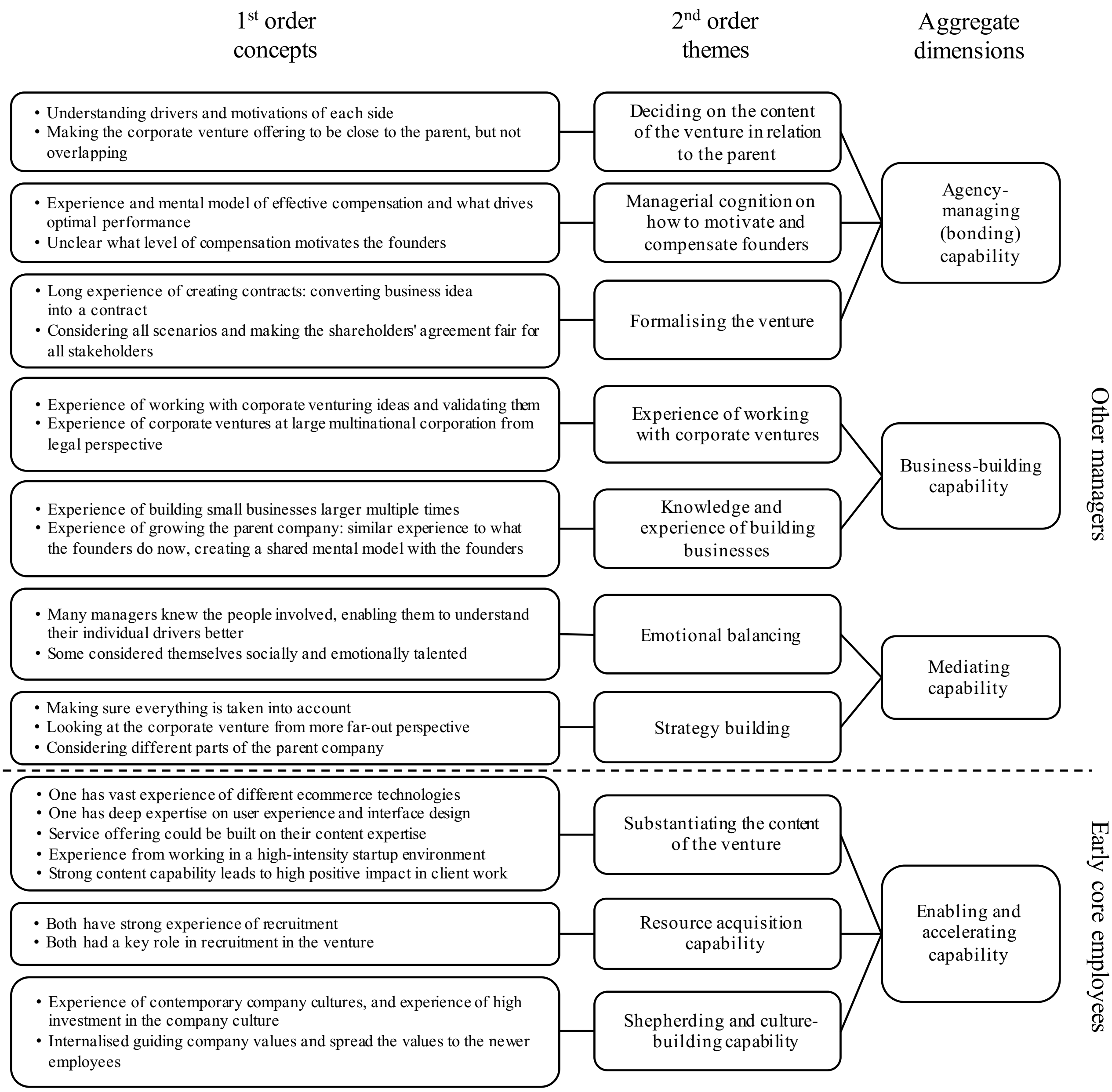

Figure 17: Data structure of other managers' and early core employees' managerial capabilities that enabled corporate venturing

4.3.1. Agency-managing capability

The evidence suggests that the agency-managing (agency means autonomy to decide and act, different concept than agency as in professional services firm) of the founders was a significant contribution by the other managers. The data shows that managing the agency was visible in three ways. First, other managers were key in deciding on the content of the venture (i.e. what it does) in relation to the parent company. Drawing a clear line between the parent and the corporate venture was considered important as the goal of the corporate venture should be aligned with the goal of the parent company. Second, the evidence shows that the other managers utilised their cumulated managerial cognition on how to reward and compensate founders, so that the compensation was both fair and motivating. Third, the data suggests that especially the legal expertise and experience of similar contracts helped in formalising the venture, in a sense, to turn the business idea into a contract.

There is evidence to support the three findings underlying the agency-managing capability of the other managers. The evidence suggests that managers understood the drivers and motivations of both sides and had the goal of setting the offerings of the venture and the parent close but not overlapping to each other. This was implied to enable both the venture emergence and even the growth to some extent. Multiple informants considered drawing the line between the corporate venture and the parent challenging. As one informant [7] stated:

"It [the success in drawing the line] depends on what you choose as the content area [of the corporate venture]. But the thing is, that if you choose a content area that naturally causes overlap, then one has to think through the ground rules and monitoring very carefully."

Secondly, there is evidence of managerial cognition especially one of the managers had that helped in creating fair and motivating compensation and reward structure for the founders. As the manager [8] stated:

"But instead think about what is fair and motivating enough … for these entrepreneurs. So that the growth is good. Because if the [growth] is good, and even if the [founders] earn more, [the parent] earns even more."

And as another informant [7] stated:

"As the guys return from abroad … and they're entrepreneurial and get things done… We were thinking how to enable different kind of work than the basic template."

And the following quote by one of the founders [2] highlight the need for bonding, which is one form of agency management:

"I was very sceptical whether it's possible to spin anything out from [the parent]. And I wasn't very motivated to build any team or anything internal to [the parent], I wanted a clear break."

Third, especially one of the managers had experience that helped in formalising the venture. The data suggests that the past experience of working with similar contracts had been beneficial for venture emergence. As one informant [5] stated:

"I guess the experience of thinking and working on these kind of [agreements] has been useful in a way that at least the mechanics won't impede the business drivers. There's no fear that we wouldn't know how to do these [agreements]."

The data suggests that managing the agency is one of the key challenges to solve to repeat similar corporate venturing initiative successfully. There are very limited earlier findings regarding the agency management in corporate venturing, study by Jones and Butler (1992) being the most notable one. Combining the lack of earlier research with the perceived importance of the agency management in this corporate venturing case makes this one of the most important findings of the thesis. For example, the internal corporate venturing process model by Burgelman (1983) does not include evidence of agency management. The impact of agency management is both practically and theoretically significant.

The agency-managing capability mostly affected the venture emergence, while the data suggests that some aspects affected the venture growth. Deciding on the content of the venture and drawing a clear line between the parent and the venture was crucial in order to get the venture founded. Similarly, the data suggests that formalising the venture positively affected the venture emergence. On the other hand, the data suggests that managerial cognition on how to motivate and compensate the founders in order to achieve optimal performance primarily affected the venture growth, as the level of entrepreneurial reward is linked with the growth of the venture. Still, the level of compensation potentially affected the venture emergence, as too low entrepreneurial reward could have led to the founders founding a standalone venture where one has all the entrepreneurial risk and reward.

4.3.2. Business building capability

The evidence suggests that other managers' business building capability, that consists of vast experience of both working around the topic of corporate venturing, and the vast knowledge and experience of building businesses, enabled the venture emergence. The experience of corporate venturing helped in creating the corporate venture model and getting started, whereas other managers' experience of building businesses helped in supporting founders and created a shared mental model between the founders and the other managers.

There is evidence to support the findings. Specifically, there were two managers who brought corporate venturing expertise to the founding process. One manager [5] provided the experience from legal perspective:

"I was the head of the legal team at the venture unit [of a large multinational corporation], so there we did corporate venturing, different kinds of [venturing] tools and funds and investments and else… That skill and experience was directly useful in [creating] this kind of new structure and tool."

Additionally, the manager offered the expertise on how to create corporate venture shareholders' agreements that are in line with the business goals. The other manager [3] was involved in all of the parent company's corporate venturing activities, which can be argued to be an enabling factor for venture emergence. Specifically, this manager had two key learnings from the past experiences he included in the founding process. First, the venture should have clear goals in order to succeed. Second, combining new content area with unfamiliar founders or team usually leads to failure, therefore a familiar founding team is preferred.

In addition to the corporate venturing expertise, the data show that the supporting members had a deep knowledge-basis on building and growing businesses. Building small businesses into larger businesses multiple times or growing the parent company and its business units were both considered valuable experiences. Such experience complemented and shared similarities with the founders' business building experience.

Other managers' vast experience of both corporate venturing and building businesses is one key part of human capital the other managers have regarding the founding process. This supporting set of capabilities was more general than many of the other capabilities: this created contextual understanding and shared mental models with the founders. In a sense, it is much easier to support the founders if one already has experience of what they are going through, whether it is from experience of personally building businesses or experience of facilitating corporate venturing.

The data suggests that this human capital enabled the venture emergence but also had an impact on venture growth. The corporate venturing expertise helped especially with the venture emergence as it enabled to better avoid mistakes or impediments at this early stage. Similarly, the data implies that the experience of building businesses was useful in emergence, but it potentially was also useful in the growth stage of the venture, as the shared mental models enabled to better help the founders to drive business growth.

4.3.3. Mediating capability

The data suggests that other managers have mediating capability, in other words the capability to act as mediators between different stakeholders and to look at the bigger picture. In more specific terms, it means their emotional balancing and strategy building capabilities. The data suggests that the mediating capability had a positive impact especially on the venture emergence.

Five out of six of the other managers stated that they acted as mediators during the founding process. They considered themselves as bridge builders who are able to lighten the atmosphere if situations get tense. This is a form of emotional balancing. One informant [7] highlighted the emotional side in forming the model as follows:

"If only things operated at logical level. But there's a lot of emotional side involved. So what people consider smart, fair, what drives whose agenda and so on."

The data suggests that emotional balancing and taking other people's perspective into account helped keep the discussion open, which potentially helped in forming a corporate venture model and shareholders' agreement that all stakeholders considered fair.

Evidence shows that strategy building also played a part in the venture emergence. Other managers made sure different perspectives were taken into account. In addition, from strategic perspective, one informant [6] highlighted that whatever the corporate venture does, it has to do it full-heartedly:

"It's not only about the revenue... You have to be the top player [in the market]. From positioning perspective."

In addition, an informant [6] stated an additional motivation behind the corporate venture, which potentially helped push the venture emergence:

"On our firm-level strategy we have defined that we have to have initiatives related to [strategic] renewal. That is, experimenting with new business models, thinking of expanding our service offering and so on."

Also, the evidence suggests that one strategic goal for setting up the venture was to be able to repeat the process in the future. In other words, to create a process that could be utilised again and more generally in the future.

The data suggests that both emotional balancing and strategy building capabilities of the other managers are important to the founding process, and especially to the venture emergence. Managers' emotional balancing has been recognised by Huy (2002) as an important part in organisational continuity and radical change; it requires personally committing as a manager, but also attending to recipients' (other stakeholders') emotions. On the other hand, strategy building capability is in line with the findings of Burgelman (1983) and his process model, where strategy building is new venture division's activity (although at the case company also top management was involved). Still, the literature, both by Huy (2002) and by Burgelman (1983), highlights the importance of other managers' mediating capability in corporate venture founding.

On a pragmatic level, the data suggests that both stakeholders' emotions and larger strategic picture should be taken into account to ensure venture emergence. The emotional balancing kept the founding process moving forward during model forming and agreement negotiation phases, therefore expediting venture emergence. On the other hand, in addition to ensuring venture emergence, strategy building before the launch helped ensuring the longevity of the venture. This is because it was ensured that the new venture will not clash with the parent company or other external parts of the parent company during its early operation.

4.3.4. Early core employees' enabling and accelerating capability

The data suggests the high importance of early employees for the venture: the achieved growth was considered unachievable without the early core employees' impact. Specifically, it was their compatible capability with the founders' managerial capabilities that enabled, supported and accelerated the venture growth. This capability was a combination of three recognisable areas of capabilities and experiences, that all formed a crucial part of the venture success.

First, the early employees substantiated the content (i.e. the service offering) of the venture, as the venture operated in consulting business, and in consulting it is essentially the teams and their capabilities that are being offered. One early employee had vast technical knowledge on ecommerce and the other had expertise on user experience design. The offering of the nascent corporate venture could be built around these competences. Related to their expertise, both of the early employees stated that potentially the strongest manifestation of their impact are the highly successful client projects, that have led to follow-up client work multiple times already.

Second, both of them have strong resource acquisition capability, and as the corporate venture is a consulting business, the resource acquisition effectively means recruitment. Both have strong experience of recruitment and they both play a key recruitment role in the venture.

Third, the early employees have so-called shepherding capability in combination with culture-building capability. Shepherding means moulding the entrepreneurial opportunity into one that makes sense for the organization, and it is focused on the organizational context within which the entrepreneurial opportunity evolves and gathers momentum (Kuratko *et al.*, 2005). Through this shepherding function, the middle managers champion, protect, nurture and guide the entrepreneurial initiative. (Kuratko *et al.*, 2005). In this case, the capability consists of the early employees' experience of similar organisational cultures, and the fact that they both have been creating the culture. In addition, they have internalised the guiding company values and they continuously spread these values to the newer employees. Both of them have strong ideas and drive to build the organisational culture and implement its values to everyday work, and this was considered beneficial for venture growth. It was this active spreading of organisational culture that resembles shepherding activities like nurturing and guiding the entrepreneurial initiative.

The evidence supports the positive impact the early employees had on the venture growth. One of the early employees [9] discusses the role of technical content experience:

"I have been involved with different [digital] technologies a lot. I haven't faced limitations in what I could start doing or thinking [in technological context]. The technology competence is not intrinsically valuable, but it does bring credibility so that we can discuss any problem in any [technological] environment [with the customer] and still help the customer."

The evidence shows that their past experiences of startup environments were also important in being able to operate and also support new or less experienced employees in hectic environment of a new venture [9]:

"My own thinking has developed so that I can be [and operate] in a chaotic environment where there's a lot of variables."

As mentioned, the high impact in client projects has been fundamental for early growth of a corporate venture with little existing brand recognition or client-base. Both of the early core employees were aware of their high impact in customer work, and one of them [10] explicitly stated:

"If one looks at the cold facts, then my participation in different projects at [the corporate venture] and the quality of work [has had positive impact]. Also in other ways than in design. For example, what kind of teams we've had. Or how's our ways of working been. Or how's the customer collaboration been. So [looking back to these], I've had a lot of successes during this first year [of operation]."

In addition, the evidence supports the importance of their resource acquisition capabilities. The data suggests that on top of their strong experience of recruiting, they themselves consider it a key in future growth. One of them [9] summarised:

"So we do anything we can in order to ensure that the recruitment is successful. Success in recruitment doesn't mean getting a signature in a [contract] paper, but it means getting the signature of the right person to the right [contract] paper."

The other early core employee [10] highlighted his accountability and responsibility in recruitment:

"Do I approve what kind of people [the corporate venture] has for example recruited? Yes."

The early employees recognise the importance of recruitment for success, and one of them [9] stated the following:

"It has been clear from the start, that our company's most important gate on how this company is built, is recruitment."

Both of the early employees have vast experience of recruiting from their earlier positions. At the corporate venture, they were deeply involved in recruitment and they took part in building the recruitment processes. All in all, they had a strong background in recruiting to support their current recruitment activities.

There is evidence to support the shepherding and culture-building capability of the early employees. This impulse to invest in culture came partly from past experiences of companies that value building organisational culture highly, and from the perceived effects of investing in culture. Additionally, one of the early employees has been very active in building company processes and ways of working that promote building organisational culture.

One of the early employees [9] highlighted the importance of spreading and living company values, which resembles shepherding:

"I believe it has been my best enabler. That I have been living myself by these [company] values. So we have been able to build a lot on top of this."

Highlighting the early employees positive impact as a core part of the corporate venture is important. They have been an influential part in enabling and accelerating the growth. The evidence implies that the achieved growth would have been impossible without these early employees. The finding also has managerial implications: successfully recruiting early employees is very important for a nascent corporate venture, but the data suggests the attributes of successful early recruits are hard to copy to other contexts and situations as the skillsets are quite context-specific and unique.

As said, early core employees and their relevant managerial capabilities affected the venture growth positively. On the other hand, the early employees did not have any impact on venture emergence as they only started working after the launch of the venture.

4.3.5. Obstructing capabilities

Other managers were unable to identify many obstructing capabilities. Many obstructing capabilities were related to getting the corporate venture model right. Even though the people involved had capabilities that enabled creating the model and push the founding process forward, there were also some capabilities that can be interpreted as obstructing. Also, sometimes it is difficult to pinpoint whether it was managerial capability that was obstructing or group's collective attribute.

First, the high number of iterations slowed down the contract negotiation process. The parent company culture teaches iterative approach, and this led to a fairly iterative process. Arguably, while the iterative process is slower, the quality of the end result might be better.

Second, making decisions that are considered fair for everyone is hard and it takes time. The questions included: what business is the corporate venture in, what is the offering, how does the offering relate to the parent company offering and how does it support the parent company. Deciding upon these was slow, although it is unclear what capabilities caused this.

Third, as this was the first time creating this kind of corporate venture at the parent company, the lack of clarity on what kind of model the parent company is aiming to achieve might have slowed down the process. Again, it is unclear whether this was related to the lack of managerial human capital or something else.

Fourth, many people from the parent company were involved in creating the model, and they sometimes had differing opinions and it was unclear who actually had the mandate to negotiate. This obstruction was potentially more related to suboptimal coordination among the parent company employees.

4.4. Parent company's cultural resources' effect on founders' managerial capabilities

The data revealed three cultural resources that infused and nurtured positively the founders' managerial capabilities, and subsequently the emergence and growth of the focal venture. These three resources are the culture of autonomy, the culture of accountability and the culture of transparency and growth mindset. These three cultural resources are depicted in Figure 18.

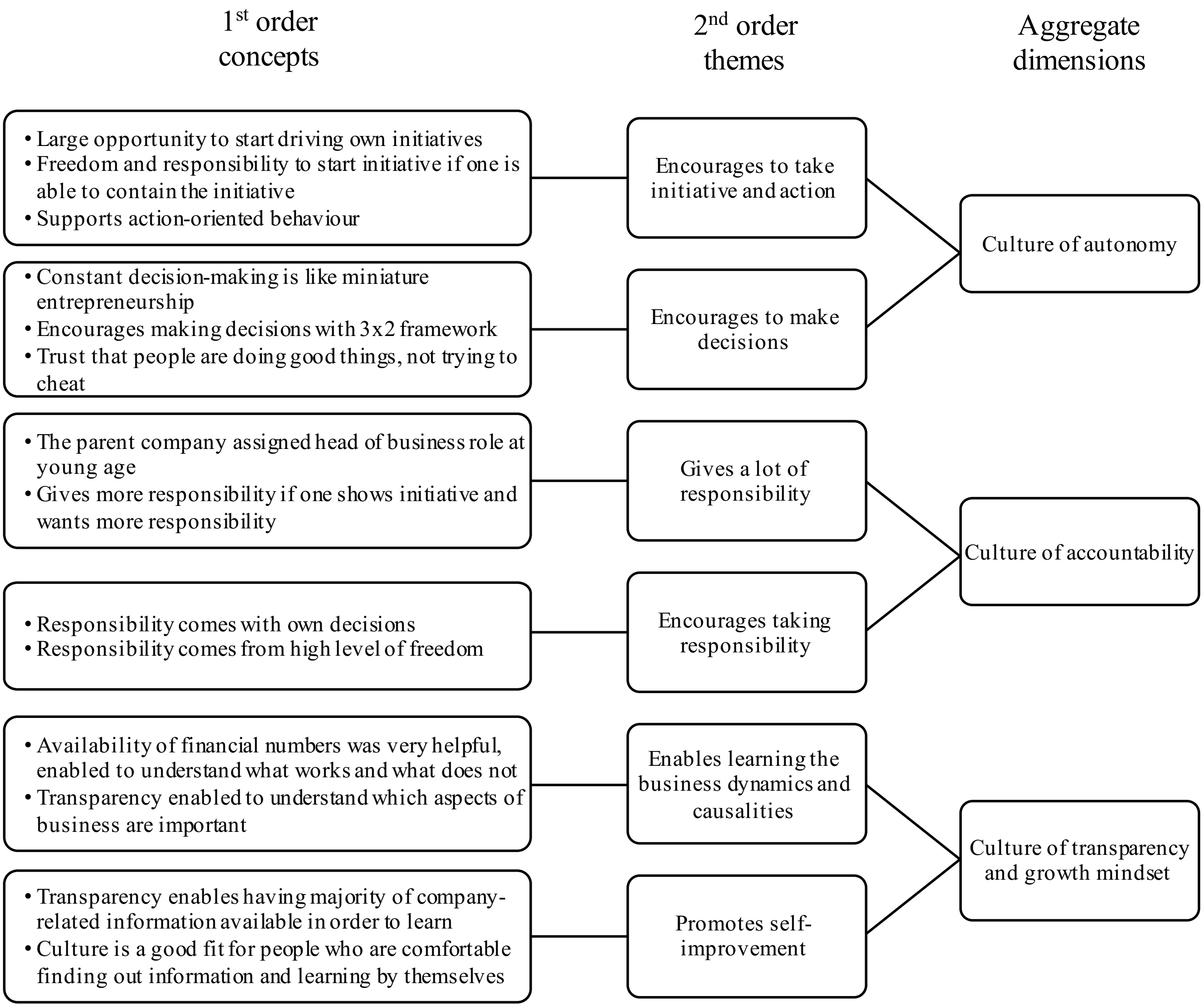

Figure 18: Data structure of the parent company culture's impact on founders' managerial capabilities

4.4.1. Culture of autonomy

The culture of the parent company has multiple attributes that have affected the corporate venture emergence and growth through affecting the founders' managerial capabilities with nurturing dynamic. The first beneficial attribute is the culture of autonomy. This highlights the role of freedom in two ways: in encouraging to take initiative and action, but also by encouraging to make decisions by oneself.

A core part of the parent company's culture is the freedom to take initiative and to do what you believe in if you are willing to think the initiative through. The autonomy builds the understanding that you can actually go and do your own thing. In this case, this autonomy has enabled the founders to start creating the corporate venture in the first place. Related to the freedom to take initiative is trust. Even though everyone can go for their own initiatives, going for them and getting support is much easier if you have built trust in the organisation. In addition, the parent company's organisational culture also encourages to be action-oriented. Employees are encouraged to keep their eyes open and think for themselves.

Parent company culture strongly encourages to make decisions, be they small or large. Making decisions without asking for permission makes one take responsibility. It opens up individuals' own thinking, and effectively makes people more accountable for their decisions, as there is no one to pass the responsibility to. On the other hand, actively making decisions and creating a habit of making decisions and taking responsibility for them potentially prepares you for entrepreneurship. Autonomy to think for oneself and make decisions might help in building mental connections and to learn consulting business dynamics.

The evidence shows the strong perceived connection between the founders' entrepreneurial managerial capabilities and the culture of autonomy. Encouragement to take initiative appears to help in building entrepreneurial managerial capabilities. Additionally, it enables the sensing of entrepreneurial opportunities for employees. As one informant said [3]:

"We do encourage to create different initiatives, and we've got very good initiatives [from employees], so in that way we've done well."

One informant [5] considered the freedom and obligation to make decisions as a representation of entrepreneurial behaviour:

"Employees have a right to make a lot of decisions, and most of the decisions are regarding their own work. So it's in a way mini entrepreneurship even though it's not [real] kind of entrepreneurship."

To make the individual decision making easier to approach, the parent company has created a 3x2 framework (Nevanlinna, 2017) for decision making, which was introduced in under the chapter 1.3 Context of the study. The 3x2 framework was stated to nurture entrepreneurial thinking as it directs you to think and take responsibility. Trust is related also to the decision making: the organisation believes that everyone is trying to do good things.

Additionally, the culture of autonomy and its impact was evident based on the interviews, but the finding was also triangulated with the parent company website introducing their company culture (Tolonen, 2017). Especially, freedom and trust stated as part of their culture support this finding. The site states that the company gives freedom, and only asks to make decisions you believe are good in return.

This finding is important, as corporate venture founders develop their skills in a context, and utilising the culture can be an effective way for the parent company to develop and nurture potential corporate venturers. The culture of autonomy played a major role in giving the founders freedom to take on entrepreneurial challenges during their work at the parent company. Additionally, culture of autonomy is closely linked to another key part of the parent company culture, the culture of accountability, which is discussed in more depth in the next chapter.

Parent company culture's impact on venture emergence and growth is indirect, it happens through nurturing and developing the founders' managerial capabilities. The evidence shows, that the culture of autonomy has nurtured the founders to be able to take on the challenge of growing the venture autonomously. In addition, the data suggests that the experience of autonomous ways of working lowers the threshold to found a corporate venture. More specifically, the evidence suggests that culture of autonomy enables the founders to cumulate shared past experiences of building and running businesses, and potentially the culture also nurtures founders' entrepreneurial aspirations.

4.4.2. Culture of accountability

Accountability is closely related to autonomy. In a sense, the culture of autonomy leads to culture of accountability. Accountability presents itself in two main ways: while the culture encourages to take responsibility for one's own decisions and initiatives, the organisation also gives a lot of responsibility if you are willing to take it. The data suggests that the most significant impact the organisation had to the founders' entrepreneurial managerial capabilities was the high level of responsibility the founders were given very early in their careers. This is one of the key findings of the culture's impact: the data suggests that getting the employees to assume responsibility for their own decisions and initiatives is key in creating entrepreneurial individuals who have a high sense of ownership.

The evidence shows clear signs of the existence and impact of the culture of accountability. The founders themselves emphasised the high positive impact the culture of giving responsibility has had on them, and as another informant [4] stated:

"In a way the parent company has enabled the guys to jump at a young age to very challenging roles, and I claim that it is a big factor in why they're in this position [as corporate venture founders] now."

The dynamics of getting responsibility were straight-forward. The employee stated the desire for more responsibility, and not long after, the employee receives increased responsibility. And as the responsibilities were handled successfully, new responsibilities were given. One of the founders [2] stated:

"Let's say you're on a good growth track record, then [the parent] pushes you everything. Or does not push, but if you're active yourself, then you happen to get more and more responsibility."

Still, to get the responsibility, one has to stay active as the responsibility might not always come automatically [2]:

"No one is going to give you responsibility, but if you're active, then everything [you can handle] will be pushed on your plate."

The role as the head of business unit, which both of the founders went through, enabled the founders to learn how to run a consulting business, and see the whole picture of running such business, not just some small part or function. It also helped to understand what it really means to be responsible for profit and loss. The experience enabled the founders to learn sales, recruitment, HR and staffing, and more importantly, how these different parts of business work together and how to keep them in balance. Partly due to the multiple variables, the head of business role built tolerance for uncertainty and stress, both of which are very much needed in entrepreneurship. To conclude, the culture enabled learning these crucial capabilities in entrepreneurship. As multiple informants stated, this role was like a step towards entrepreneurship, and one informant [2] described it like entrepreneurship:

"It was like founding a mini company when one puts together a business unit in Finland not to speak of putting the site together abroad"

The data suggests that the culture of giving responsibility and encouraging to take responsibility are highly interrelated. The encouragement to actively take responsibility comes mostly from freedom and trust. The freedom to take initiative and to make own decisions implicitly suggest that one should also take responsibility. Additionally, the empirical findings are triangulated with the parent company's culture statement (Tolonen, 2017) which also states responsibility as one of the main pieces of their company culture.

The culture of autonomy plays a key role in nurturing the founders' entrepreneurial managerial capabilities in the context of the parent company. The evidence implies that managers are much more prepared to found a corporate venture, if they have earlier similar experience of being accountable and autonomous. More specifically, the importance of taking and carrying responsibility is apparent when considering the founders' past experiences of building businesses and the importance of these experiences. In addition, multiple informants implied that the capability to take responsibility by own initiative is highly related to entrepreneurship.

Similar to the culture of autonomy, the data implies that the culture of accountability has positive impact on both the venture emergence and the venture growth. Culture of accountability has played a part in why the past experiences of building businesses at the parent company have been so effective, which in turn have affected both emergence and growth. Additionally, getting used to accountability potentially helps in building entrepreneurial work ethic which is useful in the hectic phases of early venture growth.

4.4.3. Culture of transparency and growth mindset

The culture of transparency at the parent company means that all information required to make informed decisions is available and open to everyone involved. The evidence shows that the transparency helps in understanding what works and what does not in business: what actions lead to results effectively and what actions are good for the bottom line. Related to the availability of information, the culture also promotes self-improvement and growth mindset. The data implies that being comfortable in learning new knowledge helped in gaining the courage to jump into new opportunities.

Seeing the most current financial numbers enabled making the conclusions by oneself, which in turn helped to understand the consulting business dynamics. Below is a quote from one of the founders [2] on transparency and its impact:

"It [the financial data] was open to everyone, we went through the [last] week's numbers and sales… And it was very good, one learnt how consulting firms operate, what is operationally important and what isn't, and what is critical and what is not. [One] learnt the [business] dynamics from inside."

As part of self-improvement, having all information needed for independent decision making helps individuals build their knowledge-base and expertise. Additionally, the parent company culture promotes self-improvement by giving the responsibility of learning to the individual. As one of the informants stated [2]:

"It suits people who have learnt to study by oneself and to find out and to drive [initiatives by oneself]."

Again, this finding is triangulated with the parent company's officially stated culture (Tolonen, 2017), where the importance of transparency is highlighted. In addition to affecting the ability to self-improve, the transparency is considered also as one form of trust towards the employees.

The founders stated that the culture of transparency and having the information available was important in developing their managerial capabilities that enabled corporate venture growth. On top of autonomy and accountability, the learning of the business dynamics due to transparency prepared the founders well for corporate venturing according to the informants.

To conclude, the culture of transparency and growth mindset especially affected the venture growth positively. Transparency enabled to understand consulting business dynamics, which helped in running and growing the corporate venture. Additionally, the culture promoted self-improvement, and especially the capability to find out new information by oneself was considered beneficial in autonomous corporate venturing.

4.4.4. Culture's negative effects on founders' managerial capabilities

The culture was mostly considered as enabling corporate venturing and an entrepreneurial way of working, but this view was not fully supported by all. Firstly, instead of supporting managerial capabilities that enable corporate venturing, the organisational culture was seen by some as enabling building expert capabilities, i.e. specific content expertise or capabilities necessary for being a specialist. The parent company culture was not seen as entrepreneurial, but more of an expert organisation of very smart people. One informant [8] stated:

"'If I do something well I'll earn'. That was never strong way of thinking at [the parent company]. Instead, it has been that 'good experts are allowed to do cool things with similar-minded smart people.'"

Considering this comment, the company might not build the mindset of entrepreneurial risk and reward. In other words, great challenges at work aren't usually combined with entrepreneurial risk, making failure much less painful. Similarly, success does not bring handsome rewards. As one informant noted [8], this corporate venture is the first time the parent company includes significant entrepreneurial risk and reward into its operations. To conclude, an environment without entrepreneurial risk and reward might not obstruct building capabilities, but it does not accelerate building entrepreneurial managerial capabilities either.

Additionally, considering that many of the informants were either founders of the parent company or working there, it is not a surprise that they view their organisational culture as entrepreneurial and supporting entrepreneurship, as entrepreneurial culture is commonly considered a good thing. Response bias is discussed more in depth in chapter 3 Methodology under the heading 3.5 Reliability and validity.

Secondly, the democratic culture leads to a lot of discussions as everyone feels entitled to take part in a decision, which can slow down the process. This did not create managerial capabilities in founders that obstruct corporate venture founding, but it might slightly slow down the process. At the parent company, openness is sometimes confused with democracy: as all information is open, people think they should involve themselves in the decision making too, but as one informant [2] said, it should not go that way in self-determining organisation.

Thirdly, transparency and fairness of the culture means that everything is often communicated to everyone, slowing down the corporate venture founding process. Again, neither fairness nor transparency had any reported negative impacts on managerial capabilities as such, but they partly impeded the process as a whole. Communicating to all stakeholders and considering their emotions takes time and directs time to business-wise less essential areas like additional internal communication.

5. Discussion

5.1. Emerging model

This thesis was motivated by the need to understand which managerial capabilities enable and which obstruct the creation of a corporate venture, and how the organisational culture at the parent company affects the managerial capabilities critical to the founders of a corporate venture. In addressing these research gaps, I conducted an empirical study in the context of a corporate venture and its parent company. In summarizing and integrating the findings from the empirical context, a model emerges that depicts the interaction between the managerial capabilities of the three main groups of stakeholders (founders, early core employees, and other managers) and the dynamics through which they enable the emergence and growth of the focal corporate venture. Figure 19 depicts this interaction and how it is moderated by the parent company's cultural resources.

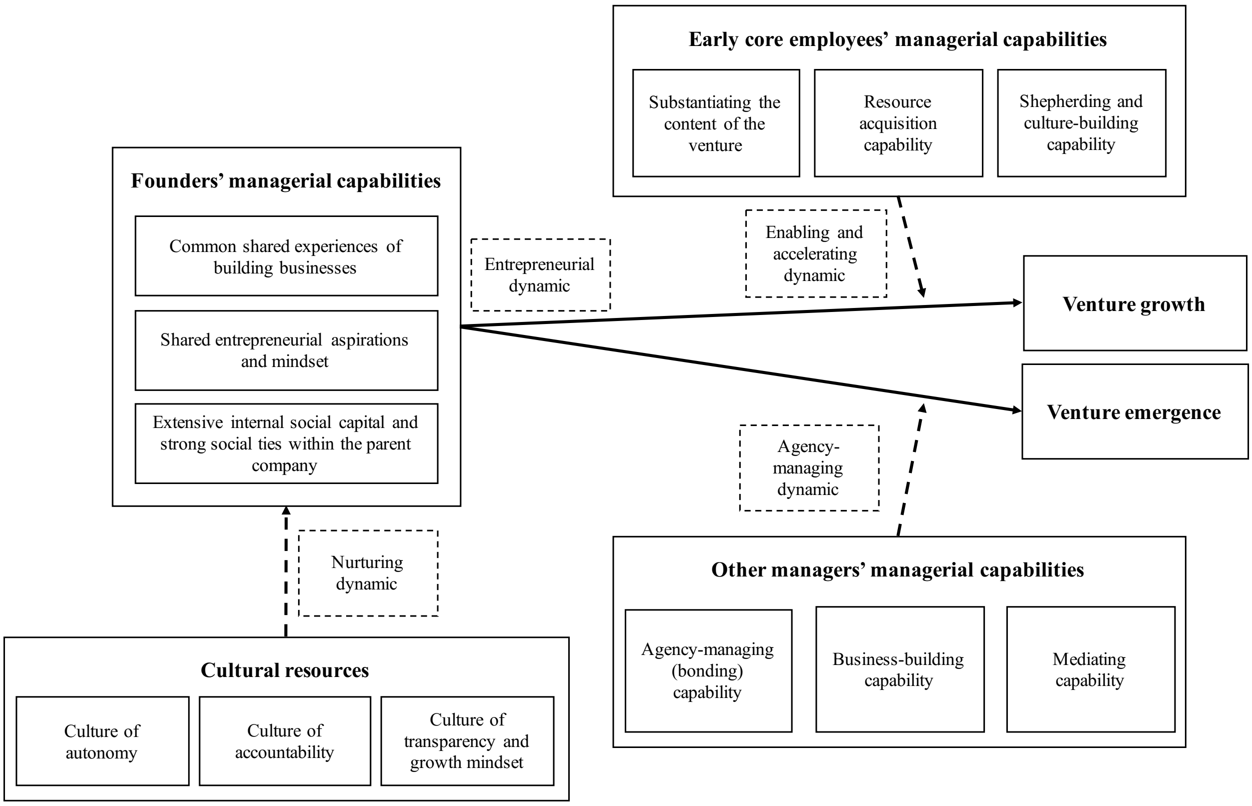

Figure 19: Emerging model

The focal point of the model is the founders' managerial capabilities' impact on venture emergence and venture growth. This is illustrated with solid arrows that capture the entrepreneurial dynamic through which those founders directly and significantly contributed in this process. The second area to focus on is the nurturing dynamic between founders' managerial capabilities and the parent company's cultural resources. Effectively, this represents the impact the cultural resources have on the corporate venture founders' managerial capabilities. The third area to focus on is the agency-managing dynamic between other managers' managerial capabilities and the impact of founders' managerial capabilities on venture emergence. The fourth and last area to focus on is the enabling and accelerating dynamic between early core employees' managerial capabilities and the impact of the founders' managerial capabilities on venture growth. The dynamics (nurturing, agency-managing, and enabling and accelerating dynamic) are illustrated with dashed lines. These three dynamics are concrete theoretical implications, and they are discussed next.

5.2. Theoretical contributions

As mentioned, the emerging model introduces three dynamics that are important managerial contributions.

5.2.1. Entrepreneurial dynamic

The entrepreneurial dynamic is the dynamic of how the founders' managerial capabilities affect their entrepreneurial behaviour and how the capabilities are embodied in their behaviour. This behaviour, in turn, affects the venture emergence and growth. The model in Figure 19 is built around this entrepreneurial dynamic. This dynamic highlights the importance of the founders for the venture emergence and growth.

There is some literature available related to the entrepreneurial dynamic, although it is not explicit. Kuratko et al. (2005) found out, that middle-managers' entrepreneurial behaviour is positively linked to corporate entrepreneurship, but their research article does not consider which managerial capabilities led to this behaviour. Ireland et al. (2009) recognise that individual entrepreneurial cognitions of the members of the organisation are antecedent of having corporate entrepreneurship strategy, indicating the entrepreneurial dynamic. Similarly, Davidsson (2003) states that individual human capital, i.e. tacit and explicit knowledge, is positively associated to entrepreneurial discovery, which is closely related to venture emergence. In addition, individual human capital is positively related to following through with the venture founding process and the activities related to it.

In this study, the data illustrates the integral part the founders play for both corporate venture emergence and growth. Other aspects like parent company culture and other people affect the venture emergence and growth indirectly, but the data highlights that founders' managerial capabilities play a major role in how they behave and how that behaviour leads to pro-entrepreneurial outcomes.

5.2.2. Nurturing dynamic

The data revealed that the parent company's cultural resources enabled and supported the founders' managerial capabilities further through a nurturing dynamic. In detail, the culture did not develop the founders' managerial capabilities, as the founders had the managing role in building their own capabilities. Instead, the cultural resources and context nurtured these capabilities further and potentially also enabled faster development than if such a cultural context was absent. In other words, the founders probably would have had these managerial capabilities to some extent without the culture, but the extent and depth of these capabilities was more intense due to the nurturing dynamic. For example, the founders' business-building capabilities would not have developed as rapidly without the culture of autonomy and accountability that increased the pressure to learn and internalise new and necessary capabilities. Further, the capabilities would not have developed to this extent without the nurturing. As was already highlighted by one informant in findings related to culture of accountability, the founders probably would not be in the position they are now without the impact of the parent company culture.

The nature and role of the parent company's nurturing dynamic has not been studied empirically and explicitly in the corporate venturing literature, even though motivational theorists have implied its importance for work outcomes. For example, Gagne and Deci (2005) reviewed whether job context, content and work climate affect autonomous work motivation. Gagne and Deci (2005) propose that a work climate that is autonomy-supportive has positive effects on both employees' work motivation but also to the outcomes of the work. This is in line with the nurturing dynamic and the positive impact of culture of autonomy, although in very general level. They also consider how aspects of job context and content like challenge, choice, rationale and feedback might affect autonomous work motivation. In addition, managerial autonomy support is expected to influence work motivation, but there is still limited theoretical clarity to how the nurturing dynamic operates. In this study, the data illustrate that the influence of the nurturing dynamic possibly relates to the managerial capabilities of employees who are intrinsically motivated to be involved in activities beyond their current job descriptions.

5.2.3. Agency-managing dynamic

A secondary, but important, dynamic that emerged from the data is the agency-managing dynamic through which other managers (i.e. senior management of the parent company) mediated the founders' influence on the corporate venture founding process. Agency management is concerned with a principal (i.e., parent company manager) giving an agent (i.e., the corporate venture founder) decision-making authority, while in uncertain entrepreneurial context it can be hard to assess how well the agent is performing. Secondly, agency management is concerned whether the motives of the two parties are different, such that they might have incentive to act in incompatible ways, which is one of the main concerns in the context of this case study.

The evidence of the existence of agency-managing dynamic is clear. The data suggests that the other managers wanted to find new and engaging work for the senior managers who were coming back from abroad. They wanted to keep them creating value for the organisation. The founders were considered by multiple informants as some of the most valuable employees at the parent company. Consequently, the other managers managed what the founders can do within the corporate venture to some extent. The service offering of the venture were agreed upon so that it would not overlap with the parent company's service offering. The venture had to make sense both financially and strategically, so managing the agency was necessary. One of the other managers [8] discussed the role of the founders:

"There was this certain problem, that what about [the founders] and other people who have already been head of business teams, have been abroad, have done different things. So what they could do next so they wouldn't leave? And that's when [it is important], that can we find new challenges around good ideas with what they can become inspired to stay in-house for longer period."

The conception the other managers had about the founders was accurate, as one of the founders [2] discussed his motivations:

"I wasn't very motivated to build any team or anything internal to [the parent], I wanted a clear break."

Literature is in line with the relevance of this agency-managing dynamic in this context. Jones and Butler (1992) recognise that one agency problem is that the managers might leave as individual entrepreneurs, in other words, leave the organisation and appear as a competitor instead of creating value for the original organisation.

Similarly, the internal entrepreneurs might get frustrated if their performance contributions don't get recognised or rewarded (Jones and Butler, 1992), which highlights the importance of proper compensation and rewarding at this thesis' case company. Consequently, Jones and Butler (1992) state that solving the agency problems reduces incentives for the employee entrepreneurs to leave, which in turn accelerates the corporate entrepreneurship activities. In this study, the data revealed how softer mechanisms, related to the role of other managers who endorse and support venturing initiatives, are equally effective to manage potential agency costs. This is done by focusing the founders' attention on venturing by creating value for the corporate parent and their venture, rather than on developing agentic behaviour. This is an important contribution to the agency theory and its application on the corporate venturing context, which tends to favour the importance of hard mechanisms of monitoring and bonding through incentives.

5.2.4. Enabling and accelerating dynamic

The enabling and accelerating dynamic was identified as important in mediating how early core employees' managerial capabilities influence the way founders' drive venture growth.

Specifically, there are three implied compatibilities between the two groups. First, while the founders had business building capabilities, they did not have adequate level of content expertise, not enough to build a complete consulting service offering. Here the early core employees' strong content experience and expertise complemented the founders' business capabilities. In a way, this enabled the early venture growth. Second, while the founders had experience of recruiting, the recruiting capabilities of the early employees were a critical addition. In consulting, resource acquisition is effectively recruitment, and it plays a key role in venture growth. In a sense, this early employees' recruitment capability did not complement the founders' capabilities, but it supported and strengthened the existing recruitment capability. In consulting business, rate of recruitment is often a limitation to growth, therefore having additional recruitment capability helped with accelerating growth. Third, the founders created the initial company culture and values, and having early employees who work as advocates for the company values and ways of thinking is potentially very beneficial. In a sense, it is easier to build uniform company identity if the early employees help form, advocate and spread the company identity from the start instead of being advocated to.

There is limited literature on compatible managerial capabilities and managerial capabilities in teams. Martin (2011) studies managerial capabilities in teams on executive level to suggest that when a set of head of business unit level managers operate as an episodic team they become an important element in complex organization's dynamic managerial capabilities. In other words, the team dynamic has positive impact on organisation's managerial capabilities. (Martin, 2011). In this thesis, the enabling and accelerating dynamic is very collaborative and collegial. The compatibility between the capabilities potentially allows better sensing and seizing of opportunities. They are able to make collective decisions. The early employees have supported the founders, and in a sense, accelerated and enabled the growth in combination with the founders' managerial capabilities.

This study is among the first to illustrate the importance of the composition of the team that works on corporate venturing projects, and in specific the needed diversity of complementary skills and cognitive capabilities to ensure task performance.

5.3. Limitations

The research and the findings have three clear limitations. First, the findings and conclusions of this thesis are not generalizable outside the context of this case study as this is a qualitative single-case study. Gioia et al. (2012) state that case study findings can occasionally be difficult to generalise to other contexts. Related to this, the context of this research is unique: it is the first corporate venture of this kind at this specific parent company, and the parent company's organisational structure and culture are also unique and therefore hard to replicate or generalise. For these reasons, this research only offers propositions and theories, and nothing quantitatively proven, which is common for case studies. On the other hand, this is a single-case study, because I, as a researcher, have a unique chance to study this particular case in depth, as I am part of the case company organisation. This level of depth could not be achieved researching other companies in my case.

Second, the research is focused on people: studying individual managerial capabilities results in findings that might not be generalizable to other people. Additionally, this research is merely based on interviews, and all of the informants were personally involved in the founding process of the venture. Interviewing poses three types of bias that can affect the validity of the research (Saunders, Lewis and Thornhill, 2012), which are explained in depth in chapter 3 Methodology. From these bias, especially the response bias (i.e., interviewee bias) poses risks to reliability and credibility. Interviewees might want to appear rational, make their actions seem beneficial for the founding process or potentially they simply do not want to reveal some sensitive knowledge or their honest motivations. Additionally, having low number of informants might be perceived as partly compromising their full anonymity, potentially decreasing their willingness to disclose information. This concern of anonymity was partly mitigated by ensuring the informants that nothing is published without their consent, and that the study does not include names of the informants. Still, potential bias can decrease the reliability and credibility of the research, but these limitations are difficult to avoid, as only the interviewed informants knew about this specific research phenomenon. To summarise, the social nature of the research poses its limitations, but simultaneously these limitations are difficult to avoid in case of research in social context.

Third limitation is the retrospective and cross-sectional nature of the research. The research focuses on things that have already happened, although in the recent past. This poses the risk of retrospective bias in the interviews, seeing and considering aspects that were not present when the phenomenon took place. In comparison, longitudinal research with "diary" timeframe would allow studying the development and change over time as it happens. This could present more reliable and accurate findings, but naturally longitudinal timeframe cannot be applied for studying events that have already taken place, thus restricting us from studying the founding process as it happened.

To conclude, replicating this research is very difficult: the context is unique and the timing is specific as this corporate venture has been founded only little over a year ago. Additionally, this research is focused on people, and social settings are inherently unreliable.

5.4. Avenues for future research

This thesis opens up some avenues for further research. First, the findings could simply be further studied. As this thesis is a single-case study, conducting multiple-case research on this topic could further validate or invalidate the findings and the emerging model. Additionally, quantitatively studying managerial capabilities in corporate venture setting, and similarly, quantitatively studying the parent company's impact on the founders' managerial capabilities could validate these findings.

In a sense, without further research of higher validity, the findings of this thesis are left on a conceptual level, not reaching empirical validity.

Second, the managerial capabilities in corporate venture setting could be studied in a longitudinal research (conducted as the phenomenon is happening). This type of research could offer new insights on *dynamic* managerial capabilities, as the researchers could observe the development and transformation of managerial capabilities as the phenomenon is happening. This thesis does not offer insights on dynamic managerial capabilities, as the informants were not able to reflect whether their managerial capabilities changed during the venture founding process.

Third, all of the dynamics between different groups involved in the founding process could be studied further. Especially agency-managing dynamic could be fruitful to study further, as it is an important yet not extensively studied phenomenon. This could offer insights that are generalizable also to different contexts, and could therefore open further avenues for future research.

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Appendix 1: List of informants

	Title	**Role in the corporate venture**
1	Co-founder of the corporate venture	Part of initial group which brainstormed growth ideas and proceeded as a founding partner.
2	Co-founder of the corporate venture	Joined brainstorming growth ideas early and proceeded as a founding partner.
3	Board Member of the corporate venture and the parent company, role in parent company's other corporate venture activities	Part of early discussions, role in creating the shareholders' agreement.
4	Part time corporate venture CFO, part time parent company legal and HR employee	Took part in creating the shareholders' agreement, perspective from both organisations' perspective. Took care of official paperwork related to founding.
5	Parent company's current Chairman of the Board, early influencer	Provided expertise on creating the shareholders' agreement and the corporate venturing model
6	Corporate venture's Chairman of the Board	Link between parent company and the corporate venture, cooperation on sales between the two companies in early growth.
7	Parent company's CEO	Drove the initial group which brainstormed growth ideas, role in shareholders' agreement negotiations from parent company's perspective.
8	Parent company's Board Member, early influencer	Helped iterate the corporate venture idea, helped with creating the shareholders' agreement with special focus on reward management.
9	Corporate venture's early employee and a core member	Significant role in how the corporate venture turned out, high impact on company culture.
10	Corporate venture's early employee and a core member	Significant role in how the corporate venture turned out, high impact on company culture.

Appendix 2: Interview protocol

Before the interview via email

Ask potential informants to be interview and tell the informants roughly what's the interview about (i.e. this specific corporate venturing case, and focusing on managerial capabilities and parent company's impact on these managerial capabilities).

- Confirm time, place and duration of the interview.

Before the interview starts

- Ask for permission to record the interview, and clarify that interview findings can be published without names.
- Introduce myself and introduce the topic of the thesis and topic of the interview in more detail. In practice, explain what does managerial capabilities mean (introducing the managerial human capital, managerial social capital, managerial cognition including the emotional aspect) and explain that the interview is about both the founders' and other managers' managerial capabilities, with the focus on the informant's managerial capabilities.

Flexible structure for interview questions

The interview questions of the semi-structured in-depth interviews were set beforehand, and the actual questions asked depended on the informant. It depended on the informant (and their base of knowledge) where did the interview focus, and follow-up questions were asked accordingly. Below is the base of the interview questions.

Background

1. What is your educational background? Past work experience? When and why did you join the parent company?

2. How did the founding process progress? What stages were there? How have you been involved in the founding or growth process?

Managerial capabilities (asked about each stage separately if applicable)

3. Managerial human capital: What past experiences or knowledge did you utilise? How useful was it?

4. Managerial cognition: What ways of thinking, beliefs or mental models did you have that might have affected this stage? What perceived impact did it have?

5. Managerial social capital: What internal or external social networks and contacts and social capital did you utilise in the process? Was it useful? How was it useful?

6. Emotional: What role did emotions play in the founding process? Did you utilise your emotional capabilities like emotional intelligence?

7. Were there any challenges in the founding process? What did you do to mitigate these challenges? What managerial capabilities did you use?

8. What do you consider your key managerial capabilities during the process? Did your managerial capabilities change during the process?

Founders' managerial capabilities and the impact of the parent company

9. What are the founders' key managerial capabilities or attributes that have potentially affected the founding of the corporate venture (not a founder)?

10. How do you perceive the parent company has affected the development of these founders' managerial capabilities (not a founder)?

11. How has the parent company affected the emergence and development of your managerial capabilities (founder)?

After the interview

- Thank the informant and ask whether they are available for a potential follow-up interview.
- Fill in the interview notes taken during the interview.
- Transcribe the interview as soon as possible.